

**P.S.C. MO. No. 5 Consolidated, Third Revised Sheet No. 12**  
**CANCELLING P.S.C. MO. No. 5 Consolidated, Second Revised Sheet No. 12**

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

**SCHEDULE OF RATES**

**INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE ("ISRS")**

**Description:** The ISRS is designed to recover the costs associated with the Company's eligible infrastructure replacements in accordance with the provisions of Sections 393.1009 to 393.1015, RSMo.

**Applicability:** In addition to the other charges provided for in the Company's tariff, a monthly ISRS shall be added to each customer's bill for service rendered on and after the effective date of the ISRS.

**Schedule of Surcharges:** The amount of the ISRS by rate schedule is as follows:

**Per Bill Per Month**

Residential General Service (RG) .....	\$ .65
Residential Seasonal Air Conditioning Service (RA) .....	\$ .65
Commercial & Industrial General Service-Class I (C1) .....	\$ .85
Commercial & Industrial General Service-Class II (C2) .....	\$ .93
Commercial & Industrial General Service-Class III (C3) .....	\$ 1.27
Commercial & Industrial Seasonal Service-Class I .....	\$ .85
Commercial & Industrial Seasonal Service-Class II .....	\$ .93
Commercial & Industrial Seasonal Service-Class III .....	\$ 1.27
Large Volume Service (LV) .....	\$32.32
Interruptible Service (IN) .....	\$28.55
General L.P. Gas Service (LP) .....	\$ .59
Unmetered Gas Light Service (SL) .....	\$ .21
Vehicular Fuel Rate (VF) .....	\$ .81
Large Volume Transportation and Sales Service (LVTSS) .....	\$63.72
LVTSS – Other (*) .....	\$48.48

(\*) Single customers with multiple accounts located on contiguous property.

DATE OF ISSUE      October 28, 2004  
Month    Day    Year

DATE EFFECTIVE      November 28, 2004  
Month    Day    Year

ISSUED BY      K.J. Neises      Executive Vice President,      720 Olive St.,    St. Louis, MO 63101  
Name of Officer      Title      Address

**Laclede Gas Company**  
**ISRS Revenue Requirement Calculation**

**ISRS Activity:**

**Gas Utility Plant Projects - Main Replacements and Other Projects Extending Useful Life of Mains:**

<u>Work Orders Placed in Service</u>	
Gross Additions	2,643,577
Deferred Taxes	(238,332)
Accumulated Depreciation	<u>(7,774)</u>

<b>Total Net</b>	<u>2,397,471</u>
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**Gas Utility Plant Projects - Service Line Replacements and Insertion Projects:**

<u>Work Orders Placed in Service</u>	
Gross Additions	9,316,188
Deferred Taxes	(1,838,516)
Accumulated Depreciation	<u>(64,787)</u>

<b>Total Net</b>	<u>7,412,885</u>
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**Gas Utility Plant Projects - Regulator Stations:**

<u>Work Orders Placed in Service</u>	
Gross Additions	300,549
Deferred Taxes	(55,983)
Accumulated Depreciation	<u>(497)</u>

<b>Total Net</b>	<u>244,069</u>
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**Gas Utility Plant Projects - Main Relocations net of Reimbursements:**

<u>Work Orders Placed in Service</u>	
Gross Additions	3,889,031
Deferred Taxes	(649,855)
Accumulated Depreciation	<u>(12,628)</u>

<b>Total Net</b>	<u>3,226,548</u>
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**Gas Utility Plant Projects - Main Reinforcements Related to Other ISRS Eligible Projects:**

<u>Work Orders Placed in Service</u>	
Gross Additions	90,009
Deferred Taxes	(17,902)
Accumulated Depreciation	<u>(265)</u>

<b>Total Net</b>	<u>71,842</u>
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**Increase in Accumulated Deferred Income Taxes and Accumulated Depreciation  
Associated with Eligible Infrastructure System Replacements which are included in a  
Currently Effective ISRS**

Total Incremental Accumulated Depreciation	(434,662)
Total Incremental Accumulated Deferred Taxes	(696,829)

<b>Total ISRS Rate Base</b>	12,221,324
<b>Overall Rate of Return per Testimony from GR-2002-356</b>	8.16%
<b>UOI Required</b>	<u>997,260</u>
<b>Income Tax Conversion Factor</b>	1.6276
<b>Revenue Requirement Before Interest Deductibility</b>	<u>1,623,140</u>

<b>Total ISRS Rate Base</b>	12,221,324
<b>Weighted Cost of Debt per Testimony from GR-2002-356</b>	3.80%
<b>Interest Deduction</b>	<u>464,410</u>
<b>Marginal Income Tax Rate</b>	38.5596%
<b>Income Tax Reduction due to Interest</b>	<u>179,075</u>
<b>Income Tax Conversion Factor</b>	1.6276
<b>Revenue Requirement Impact of Interest Deductibility</b>	<u>291,462</u>

<b>Total Revenue Requirement on Capital</b>	1,331,678
<b>Depreciation Expense</b>	266,941
<b>Property Taxes</b>	<u>-</u>

<b>Total ISRS Revenues</b>	<u><u>1,598,619</u></u>
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**Laclede Gas Company  
ISRS Filing**

**Incremental Accumulated Deferred Income Taxes and Accumulated Depreciation**

**ISRS Activity:**

**Main Replacements, etc.**

	<b><u>Accumulated Depreciation</u></b>	<b><u>Accumulated Deferred Income Taxes</u></b>
At December 2003	39,735.85	260,257.65
At September 2004	<u>79,647.29</u>	<u>296,041.81</u>
Incremental Change	<u><u>39,911.44</u></u>	<u><u>35,784.16</u></u>

**Services**

At December 2003	292,753.25	2,712,452.55
At September 2004	<u>624,880.82</u>	<u>3,303,334.54</u>
Incremental Change	<u><u>332,127.57</u></u>	<u><u>590,881.99</u></u>

**Regulator Stations**

At December 2003	18,888.83	121,814.59
At September 2004	<u>39,601.96</u>	<u>150,952.74</u>
Incremental Change	<u><u>20,713.13</u></u>	<u><u>29,138.15</u></u>

**Main Relocations**

At December 2003	39,514.99	460,898.50
At September 2004	<u>80,039.37</u>	<u>496,792.83</u>
Incremental Change	<u><u>40,524.38</u></u>	<u><u>35,894.33</u></u>

**Main Reinforcements**

At December 2003	1,183.66	9,703.72
At September 2004	<u>2,568.91</u>	<u>14,834.18</u>
Incremental Change	<u><u>1,385.25</u></u>	<u><u>5,130.46</u></u>

**TOTAL INCREMENTAL CHANGE**

<u><u>434,661.77</u></u>	<u><u>696,829.09</u></u>
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**Laclede Gas Company**  
**ISRS Depreciation Expense**

	Additions	Retirements
	<u>Annual Depreciation</u>	<u>Annual Depreciation</u>
Main Replacements	37,534.26	(1,672.78)
Service Line Replacements and Insertion Projects	206,819.76	(24,988.43)
Regulator Stations	6,672.19	-
Main Relocations net of Reimbursements	51,964.69	(10,675.98)
Main Reinforcements	1,287.05	-
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Total	304,277.95	(37,337.19)
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Total Net Increase in Depreciation Expense	<u><u>266,940.76</u></u>	

**Laclede Gas Company**  
**ISRS Deferred Taxes--Rate Base Reduction**

	Jan - Sept 2004 30% Bonus	Jan - Sept 2004 50% Bonus	Total
<u>Main Replacements, etc.</u> Additions	61,410.32	1,161,181.11	1,222,591.43
Bonus Depreciation	<u>18,423.10</u>	<u>580,590.56</u>	<u>599,013.66</u>
Adjusted Tax Basis on Additions	42,987.22	580,590.55	623,577.77
Bonus Depreciation For Period January Through September 2004	18,423.10	580,590.56	599,013.66
Tax Depreciation On Adj. Basis Fiscal Year 2004	<u>1,612.02</u>	<u>21,772.15</u>	<u>23,384.17</u>
Total Tax Depreciation	20,035.12	602,362.71	622,397.83
Total Book Depreciation			4,311.44
Difference Between Book and Tax Depreciation			<u>618,086.39</u>
Deferred Income Taxes (@38.5596%)			<u><u>238,331.64</u></u>

**Laclede Gas Company**  
**ISRS Deferred Taxes--Rate Base Reduction**

	Jan - Sept 2004 50% Bonus	Total
<u>Services</u>		
Additions	9,316,188.27	9,316,188.27
Bonus Depreciation	<u>4,658,094.14</u>	<u>4,658,094.14</u>
Adjusted Tax Basis on Additions	4,658,094.13	4,658,094.13
Bonus Depreciation For Period January Through September 2004	4,658,094.14	4,658,094
Tax Depreciation On Adj. Basis Fiscal Year 2004	<u>174,678.53</u>	<u>174,678.53</u>
Total Tax Depreciation	4,832,772.67	4,832,772.67
Total Book Depreciation		<u>64,786.66</u>
Difference Between Book and Tax Depreciation		<u>4,767,986.01</u>
Deferred Income Taxes (@38.5596%)		<u><u>1,838,516.33</u></u>

**Laclede Gas Company**  
**ISRS Deferred Taxes--Rate Base Reduction**

	Jan - Sept 2004 30% Bonus	Jan - Sept 2004 50% Bonus	Total
<u>Regulator Stations</u>			
Additions	53,127.83	247,421.33	300,549.16
Bonus Depreciation	<u>15,938.35</u>	<u>123,710.67</u>	<u>139,649.02</u>
Adjusted Tax Basis on Additions	37,189.48	123,710.66	160,900.14
Bonus Depreciation For Period January Through September 2004	15,938.35	123,710.67	139,649.02
Tax Depreciation On Adj. Basis Fiscal Year 2004	<u>1,394.61</u>	<u>4,639.15</u>	<u>6,033.76</u>
Total Tax Depreciation	17,332.96	128,349.82	145,682.78
Total Book Depreciation			<u>497.05</u>
Difference Between Book and Tax Depreciation			<u>145,185.73</u>
Deferred Income Taxes (@38.5596%)			<u><u>55,983.04</u></u>

**Laclede Gas Company**  
**ISRS Deferred Taxes--Rate Base Reduction**

	Jan - Sept 2004 30% Bonus	Jan - Sept 2004 50% Bonus	Jan - Sept 2004 0% Bonus	Total
<u>Main Relocations</u>				
Additions	1,595,399.70	2,267,937.42	25,693.64	3,889,030.76
Bonus Depreciation	<u>478,619.91</u>	<u>1,133,968.71</u>	<u>-</u>	<u>1,612,588.62</u>
Adjusted Tax Basis on Additions	1,116,779.79	1,133,968.71	25,693.64	2,276,442.14
Bonus Depreciation For Period January Through September 2004	478,619.91	1,133,968.71	-	1,612,588.62
Tax Depreciation On Adj. Basis Fiscal Year 2004	<u>41,879.24</u>	<u>42,523.83</u>	<u>963.51</u>	<u>85,366.58</u>
Total Tax Depreciation	520,499.15	1,176,492.54	963.51	1,697,955.20
Total Book Depreciation				<u>12,628.22</u>
Difference Between Book and Tax Depreciation				<u>1,685,326.98</u>
Deferred Income Taxes (@38.5596%)				<u><u>649,855.34</u></u>

**Laclede Gas Company**  
**ISRS Deferred Taxes--Rate Base Reduction**

	Jan - Sept 2004 50% Bonus	Total
<u>Main Reinforcements</u>		
Additions	90,008.56	90,008.56
Bonus Depreciation	<u>45,004.28</u>	<u>45,004.28</u>
Adjusted Tax Basis on Additions	45,004.28	45,004.28
Bonus Depreciation For Period January Through September 2004	45,004.28	45,004.28
Tax Depreciation On Adj. Basis Fiscal Year 2004	<u>1,687.66</u>	<u>1,687.66</u>
Total Tax Depreciation	46,691.94	46,691.94
Total Book Depreciation		<u>265.41</u>
Difference Between Book and Tax Depreciation		<u>46,426.53</u>
Deferred Income Taxes (@38.5596%)		<u><u>17,901.88</u></u>

**Laclede Gas Company  
Capital Structure/Rate of Return for ISRS**

**Case GR-2002-356**

**Laclede Direct Testimony of Glenn Buck**

	% of Cap Structure	Embedded Cost	Weighted Cost
LTD	45.50%	7.58%	3.45%
STD	11.80%	4.83%	0.57%
Preferred	0.30%	4.96%	0.01%
Common	42.40%	11.75%	4.98%
Rate of Return on Original Cost			<u>9.01%</u>

**Staff Corrected Direct Testimony of Roberta McKiddy**

LTD	41.05%	7.63%	3.13%
STD	17.01%	3.34%	0.57%
Preferred	0.18%	4.95%	0.01%
Common	41.75%	9.25%	3.86%
Rate of Return on Original Cost			<u>7.57%</u>

**Public Counsel Rebuttal Testimony of Mark Burdette**

LTD	41.45%	7.58%	3.14%
STD	16.26%	3.36%	0.55%
Preferred	0.19%	4.95%	0.01%
Common	42.11%	9.98%	4.20%
Rate of Return on Original Cost			<u>7.90%</u>

**Overall Rate of Return**

Laclede	9.01%
Staff	7.57%
OPC	<u>7.90%</u>
Average	<u>8.16%</u>

**Weighted Cost of Debt**

Laclede	4.02%
Staff	3.70%
OPC	<u>3.69%</u>
Average	<u>3.80%</u>

**Laclede Gas Company  
ISRS Rate Design**

**Total ISRS Revenues** 1,598,619

<u>Customer Rate Class</u>	<u>Number of Customers*</u>	<u>Customer Charge</u>	<u>Ratio to Residential Customer Charge</u>	<u>Weighted Customer Nos.</u>	<u>Customer Percentage</u>	<u>Current ISRS Charge</u>	<u>Current ISRS Revenues</u>
Residential	590,614	12.00	1.0000	590,614	88.7955%	0.20	1,419,502
C&I 1	30,060	15.75	1.3125	39,454	5.9317%	0.26	94,825
C&I 2	9,218	17.25	1.4375	13,251	1.9922%	0.29	31,848
C&I 3	677	23.50	1.9583	1,326	0.1993%	0.39	3,186
LV	89	600.00	50.0000	4,450	0.6690%	10.01	10,695
Interruptible	16	530.00	44.1667	707	0.1062%	8.85	1,698
Transportation	152	1,183.00	98.5833	14,985	2.2529%	19.74	36,015
Transportation - Other**	2	900.00	75.0000	150	0.0226%	15.02	361
Gas Light	112	3.90	0.3250	36	0.0055%	0.07	87
Vehicular Fuel	4	15.00	1.2500	5	0.0008%	0.25	12
Liquid Propane	177	11.00	0.9167	162	0.0244%	0.18	390
<b>Total</b>	<b>631,121</b>				<b>100.0000%</b>		<b>1,598,619</b>

\*Number of customers at 9/30/03

\*\*Single customers with multiple accounts located on contiguous property.

**Laclede Gas Company  
ISRS Cumulative Rate Design**

**Total ISRS Revenues** 1,598,619

<u>Customer Rate Class</u>	<u>Number of Customers*</u>	<u>Customer Charge</u>	<u>Ratio to Residential Customer Charge</u>	<u>Weighted Customer Nos.</u>	<u>Customer Percentage</u>	<u>ISRS Charge</u>	<u>Previous ISRS Revenues</u>	<u>Current ISRS Revenues</u>	<u>Total ISRS Revenues</u>
Residential	590,614	12.00	1.0000	590,614	88.7955%	0.65	3,161,360	1,419,502	4,580,862
C&I 1	30,060	15.75	1.3125	39,454	5.9317%	0.85	210,781	94,825	305,606
C&I 2	9,218	17.25	1.4375	13,251	1.9922%	0.93	71,051	31,848	102,899
C&I 3	677	23.50	1.9583	1,326	0.1993%	1.27	7,102	3,186	10,288
LV	89	600.00	50.0000	4,450	0.6690%	32.32	23,819	10,695	34,514
Interruptible	16	530.00	44.1667	707	0.1062%	28.55	3,783	1,698	5,481
Transportation	152	1,183.00	98.5833	14,985	2.2529%	63.72	80,205	36,015	116,220
Transportation - Other**	2	900.00	75.0000	150	0.0226%	48.48	803	361	1,164
Gas Light	112	3.90	0.3250	36	0.0055%	0.21	198	87	285
Vehicular Fuel	4	15.00	1.2500	5	0.0008%	0.81	27	12	39
Liquid Propane	177	11.00	0.9167	162	0.0244%	0.59	871	390	1,261
<b>Total</b>	<b>631,121</b>				<b>100.0000%</b>		<b>3,560,000</b>	<b>1,598,619</b>	<b>5,158,619</b>

\*Number of customers at 9/30/03

\*\*Single customers with multiple accounts located on contiguous property.