

**P.S.C. MO. No. 5 Consolidated, Original Sheet No. 28-b.1
CANCELLING All Previous Schedules.**

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

Missouri Public

SCHEDULE OF RATES

REC'D NOV 08 2002

D. Gas Supply Incentive Plan, Effective November 1, 2002

Service Commission

For purposes of reducing the impact of upward natural gas commodity price volatility on the Company's customers, a Gas Supply Incentive Plan (GSIP) shall be established in which the Company shall have the opportunity to share in price reductions earned by the Company in the acquisition of natural gas commodities.

The GSIP recognizes that the Company, through various purchasing techniques, including hedging, may be able to acquire supplies of natural gas for its on-system customers at levels below an established benchmark price. If the Company can acquire natural gas commodity prices below the benchmark, then it will have the opportunity to keep some of those price reductions, if those prices fall within certain pre-defined pricing tiers.

1. The GSIP applies to the total commodity cost of natural gas supplies purchased for on-system consumers, inclusive of the cost and price reductions associated with the Company's use of financial instruments divided by actual purchase volumes for on-system customers, ("Net Commodity Gas Price"), for all volumes purchased by the Company for on-system resale during the Company's October through September ACA period. The Company shall retain in an Incentive Revenue (IR) Account a portion of certain cost reductions the Company realizes in connection with the acquisition and management of its gas supply portfolio.

a. In order to determine if the Company is eligible for incentive compensation due to its purchasing activities, Net Commodity Gas Price per MMBtu and the Annual Benchmark Price per MMBtu of natural gas for the ACA period will be evaluated to determine in which of the following tiers each respective price falls.

TIER LEVELS

Tier 1	less than or equal to \$3.000 per MMBtu
Tier 2	greater than \$3.000 per MMBtu and less than or equal to \$5.000 per MMBtu
Tier 3	greater than \$5.000 per MMBtu

b. In order for the Company to be able to receive incentive compensation, Net Commodity Gas Price per MMBtu must be below the Annual Benchmark Price per MMBtu and the Net Commodity Gas Price per MMBtu must fall within Tier 1 or Tier 2. Further, the Annual Benchmark Price per MMBtu must fall within Tier 2 or Tier 3.

The Annual Benchmark Price per MMBtu shall be calculated as follows: First, for each month of the ACA period, the associated First-of-Month (FOM) index prices as shown below and as reported in the Inside FERC's Gas Market Report shall be weighted by the following percentages to develop a FOM composite price:

Exhibit No.

Case No(s) GR-02-359

Date 2-3-03 **Rptr** x4

DATE OF ISSUE

November 8, 2002

Month Day Year

DATE EFFECTIVE

December 9, 2002

Month Day Year

ISSUED BY

K.J. Neises,

Executive Vice President,

720 Olive St., St. Louis, MO 63101

Name of Officer

Title

Address

**Missouri Public
Service Commission**
GR-02-359
FILED DEC 09 2002

**P.S.C. MO. No. 5 Consolidated, Original Sheet No. 28-b.2
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SCHEDULE OF RATES

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D. Gas Supply Incentive Plan, Effective November 1, 2002 (Continued)

Reliant Energy Gas Transmission - West	18%
Reliant Energy Gas Transmission - East	8%
Natural Gas Pipeline Co. of America - Mid-Continent	9%
Natural Gas Pipeline Co. of America - South Texas	9%
Natural Gas Pipeline Co. of America - Louisiana	4%
Panhandle Eastern Pipe Line Co.	12%
Trunkline Gas Co. - Louisiana	13%
Williams Gas Pipelines Central	6%
Mississippi River Transmission - West leg	21%

Service Commission

Second, the Annual Benchmark Price will then be calculated by taking the monthly FOM composite price as calculated above for each month and weighting said price by each month's associated actual purchase volumes for on-system customers.

c. Incentive Compensation

The Company will be eligible for incentive compensation if the Net Commodity Gas Price falls in either Tier 1 or Tier 2, is below the Annual Benchmark Price per MMBtu, and the Annual Benchmark Price per MMBtu is in either Tier 2 or Tier 3. If those conditions are satisfied, the Company will receive incentive compensation of 10% of the difference between the Net Commodity Gas Price and the Annual Benchmark Price per MMBtu, multiplied by the Company's purchase volumes for on-system sales during the ACA period. Once the Company reaches \$5,000,000 in incentive compensation, the Company will receive incentive compensation of 1% of the remaining difference. The Incentive Adjustment (IA) Account shall be debited by the Company's appropriate compensation amount and the IR Account will be credited by the same amount.

d. Gas costs not included in this mechanism include transportation costs, storage costs, demand charges, and any reductions in natural gas supply due to bundled transportation contracts that increase transportation costs to achieve lower gas supply costs. No incentive compensation will be given for reductions in actual gas prices if such reductions are tied to any increase in transportation costs, unless such transportation costs are necessitated by significant changes in the Company's system operating conditions.

e. The Commission shall retain the ability to evaluate and determine the prudence of the Company's efforts in connection with its procurement of gas and management of its gas supply demand and transportation services.

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**P.S.C. MO. No. 5 Consolidated, Original Sheet No. 28-b.3
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SCHEDULE OF RATES

REC'D NOV 08 2002

D. Gas Supply Incentive Plan, Effective November 1, 2002 (Continued)

Service Commission

f. Subject to the market out clause of this tariff, the GSIP shall remain in effect until the conclusion of the ACA period following the effective date of new gas rates for the Company ordered in the Company's rate case subsequent to Case No. GR-2002-356, but in any event no later than September 30, 2005, unless extended by Order of the Commission. Any party shall have the right to propose termination or modification of the program in case of significant impacts on the price of natural gas by such acts as acts of God, change in federal or state law or regulation, or significant change in gas supply market or system operating conditions.

g. During the course of the GSIP, the Company shall provide quarterly monitoring reports to the Staff and Public Counsel detailing any potential price reductions achieved under the GSIP, quantifying the Company's share of any such price reductions, explaining the measures used by the Company to reduce such prices, and a summary of all hedged positions. These reports will be due 30 days after the last day of each applicable quarter. The Company shall also provide with its annual ACA filing a reliability report explaining, in reasonable detail, why its gas supplies and transportation services are appropriate to meet anticipated requirements of its firm service customers.

2. The debits to the IA Account shall be allocated to the applicable customer classifications, based on the volumes sold during the ACA period. Debits shall be allocated to the Company's on-system sales customers consistent with the allocation of commodity related charges set forth in A.2.c.

3. For each ACA year, the debits recorded in the IA Account including any balance from the previous year shall be accumulated to produce a cumulative balance of incentive adjustments. For purposes of computing new ACA factors for the subsequent twelve-month period beginning with the effective date of the Winter PGA, such cumulative incentive adjustment balances shall be combined with the appropriate Deferred Purchased Gas Costs Account balances. The Company shall separately record that portion of ACA revenue recovery which is attributable to recovery of the IA Account balances. Any remaining balance shall be reflected in the subsequent ACA computations.

4. These calculations exclude any volumes and costs relating to gas supplies sold to the Company by schools or their agents under the Company's Experimental School Aggregation Tariffs.

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