

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED⁴

OCT 05 2004

Missouri Public
Service Commission

In the Matter of Laclede Gas Company's)
Verified Application for Extension, with)
Modifications, of its Authority to Issue)
and Sell First Mortgage Bonds, Unsecured)
Debt and Authorized but Unissued)
Common Stock in a Total Amount not to)
Exceed \$270 Million, Pursuant to a)
Universal Shelf Registration Statement.

Case No. GF-2004-0025

STAFF RECOMMENDATION

COMES NOW Staff of the Public Service Commission of Missouri (Staff), and in compliance with the Commission's orders in this case, for its recommendation states:

1. On July 9, 2003, Laclede Gas Company (Laclede or Company) filed its Application to extend Commission authorization for it to issue securities, which authority had first been granted by the Commission in Case No. GF-2000-843. There remains \$270,000,000 of securities unissued under the original authorization.

2. Laclede requested expedited treatment of its application because the initial authorization expired on September 1, 2003. Staff indicated that it could not complete its review in the time that such a schedule permitted. By its order dated August 19, 2003, the Commission extended the initial authority until October 31, 2003, in order to preclude a gap in Laclede's authority to issue securities.

Exhibit No. 150
Case No(s) GF-99-315
Date 12-24-04 Rptr B

3. Staff has reviewed the proposed extension, and recommends that the Commission extend Laclede's authority, subject to certain conditions. Those conditions are set out in the Staff recommendation attached as Attachment A, hereto.

4. Staff has discussed its proposed conditions with Laclede, and believes that Laclede will not oppose such conditions.

WHEREFORE, Staff recommends that the Commission approve this application subject to the conditions proposed by Staff, and take this matter up at its earliest convenience.

Respectfully submitted,

DANA K. JOYCE
General Counsel

/s/ Thomas R. Schwarz, Jr.

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Missouri Bar No. 29645

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 12th day of September, 2003.

/s/ Thomas R. Schwarz, Jr.

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GF-2004-0025

FROM: Ron Bible, Financial Analysis Department
Tom Imhoff, Energy Department
Greg Meyer, Accounting Department
Dan Redel, Internal Accounting

Ron Bible 9-12-03
Project Coordinator / Date

Thomas R. Schwarz, Jr. 9-12-03
General Counsel's Office / Date

SUBJECT: Staff's Recommendation for approval of the Application of Laclede Gas Company for authority for a three (3) year extension to issue and sell up to \$350,000,000 of Bonds, Unsecured Debt and Common Stock.

DATE: September 12, 2003

Laclede Gas Company

Laclede Gas Company, (Laclede, Company) is a public utility engaged in providing services to customers in Missouri. On June 22, 2000 the Company filed an Application (Case No. GF-200-843) requesting the Missouri Public Service Commission (Commission) to authorize it to issue and sell up to \$350,000,000 aggregate principal amount of first mortgage bonds ("Bonds"), unsecured debt instruments ("Unsecured Debt") and authorized but unissued common stock ("Common Stock").

On August 10, 2000, the Commission issued its order in Case No. GF-2000-843 granting Laclede's application. The August 10 order authorized Laclede to issue and sell such Bonds, Unsecured Debt and Common Stock for a three-year period ending September 1, 2003.

On July 9, 2003 the Company filed an Application requesting an extension of the deadline for completion of the New Securities issuance activity to September 1, 2006. In the Application, the Company stated they had issued and sold \$80,000,000 aggregate principal amount of the Securities, leaving \$270,000,000 aggregate principal amount of Securities available for issuance under the August 10 Order.

Although the specific terms and conditions applicable to such Securities and the manner of their issuance will vary depending on the type of Security being issued, Laclede contemplates that the Securities will be subject to the same general terms and conditions that the Commission authorized in Case No. GF-2000-843, with one material modification. That modification involves the process by which Laclede will obtain equity in the future. As a result of Laclede's holding company structure, approved by the Commission in Case No. GM-2001-342, Laclede is now a wholly-owned subsidiary of The Laclede Group, Inc. ("LGI"). Hence, Laclede stock is no longer publicly traded.

Instead, Laclede will now obtain equity through the issuance of stock to, or the receipt of paid-in capital from, its parent company, Laclede Group, Inc. (LGI).

The Staff has verified that the Company has filed its annual report and is not delinquent on any assessment. The Commission's Energy Department Staff has reviewed this filing and is not aware of any other matter before the Commission that affects or is affected by this filing; however, the following Case Nos. are pending before this Commission at this time: GT-2003-0032, GC-2003-0212, GA-2002-429, GR-2002-389, GR-2002-356, GR-2001-387, GR-2000-622, GR-2003-0224.

The Staff has also reviewed the books and records of Laclede and determined that the \$80 million already issued by the Company under the August 10, 2000 order are within the parameters of that case.

Based on its review of the information submitted by the Company, the Staff recommends that the Commission approve the Application submitted by Laclede Gas Company in Case Number

GF-2004-0025 for a three (3) year extension to complete the issuance of the Securities, subject to the conditions set forth in the Commission's original August 10, 2000 order and including the following additional conditions:

1. That the Company be authorized to issue and sell securities, and receive paid-in capital, pursuant to the terms and conditions described in the Application, in an aggregate amount not to exceed \$270 million at any time, or from time to time, through October 31, 2006, and that the Company shall not be authorized to use any portion of the \$270 million for any purpose other than for the exclusive benefit of Laclede Gas Company's regulated operations, as such purposes are specified in Section 393.200, and not for the other operations of The Laclede Group, Inc or any of its affiliates or unregulated activities.
2. That, if and when individual debt securities are issued under this Application, the Company will submit a verified report to the Commission's Internal Accounting Department documenting such issuance, the use of any associated proceeds and the applicability and measure of fees under Section 386.300.2.
3. That the Company shall also be required to file with the Commission all final terms and conditions on this financing including, but not limited to, the aggregate principal amount to be sold or borrowed, price information, estimated expenses, portion subject to the fee schedule and loan or indenture agreement concerning each issuance.
4. That the interest rate for individual debt securities issued under this Application is not to exceed the greater of (i) 9 percent or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers.
5. That the Company shall submit to Staff and Public Counsel any information concerning communications with credit rating agencies concerning individual debt securities issued under this Application.

6. Laclede Gas Company's total borrowings, including all instruments, shall at no time exceed Laclede Gas Company's regulated rate base.
7. That nothing in the Commission's order shall (i) be considered a finding by the Commission of the value of these transactions for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding; or (ii) be construed as affecting the rights of Laclede Gas Company and any of its affiliates to engage in affiliate transactions pursuant to the provisions of the Commission's affiliate transaction rules, including transactions involving the Company's purchase of goods and services using funds acquired through issuance of securities under this Application.
8. That the Company shall file with the Commission any information concerning use of the funds from the individual debt securities issued under this Application with regard to redemption of any outstanding long-term debt, other than at maturity, including, if applicable, Net Present Value calculations indicating the amount of interest cost savings.
9. That the Commission's order in this proceeding shall remain effective for a three-year term from the effective date of the order. The Company shall alert Staff by January 31, 2006, of its then present intention to seek a renewal of the authority granted in this case. To avoid a lapse in authorization for financing, the Company shall be authorized to request an extension of such term by filing an application no later than June 30, 2006, provided that Laclede will make best efforts to file 30 days earlier if Staff requests it to do so due to workload considerations.
10. That any benefits (including, but not limited to interest income, etc.) derived from securities proceeds during the time between when such proceeds are obtained by Laclede Gas Company and the time when such proceeds are actually put to use shall be used exclusively for the benefit of Laclede Gas Company regulated operations, and not for the other operations of The Laclede Group, Inc. or any of its affiliates or non-regulated activities.
11. That Laclede Gas Company shall make available to the Staff sufficient documentation to ensure that the funds acquired through issuance of securities under this Application, and any benefits (including, but not limited to interest income, etc.) derived on such funds as described in Recommendation No. 10, shall be used exclusively for the benefit of Laclede Gas Company regulated operations, and not for the other operations of The Laclede Group, Inc. or any of its affiliates or non-regulated activities.

Upon further reflection, based on events that have occurred in the last two years respecting investor-owned utilities, the Staff believes that these additional conditions would have been appropriate in connection with the Company's original application. Given the heightened concerns and the resultant need for increased scrutiny in today's investor-owned utility environment, the Staff intends

to recommend inclusion of such conditions in Commission orders approving financing requests in future cases involving utilities with a holding company structure.

The Staff respectfully requests that this matter be placed on the Commission's Agenda as soon as possible.