

In the Matter of Laclede Gas)
Company's Tariff to Revise Natural) Case No. GR-2002-356
Gas Rate Schedules.)

On August 20, 2002, Laclede Gas Company (“Laclede” or “Company”), the Staff of the Missouri Public Service Commission (“Staff”) and the Office of the Public Counsel (“Public Counsel”) filed a Partial Stipulation and Agreement (hereinafter “Initial Stipulation and Agreement”) in the above-referenced case which recommended a resolution of all of the revenue requirement issues raised in this case as well as several ancillary issues. Since that Partial Stipulation and Agreement was filed, the Company, Staff and Public Counsel have held additional discussions in an effort to resolve their differences over the unresolved issues identified in paragraph 17 of the Initial Stipulation and Agreement. These include the issues of “what kind of weather mitigation clause or weather mitigation rate design, if any, should be approved by the Commission” (see subparagraph 17(b)) and the issue of “whether the Commission should adopt a gas supply incentive plan for the Company as part of Public Counsel’s weather proposal.” (see subparagraph 17(c)). As a result of those discussions, the undersigned parties (the “Parties”) have reached the following stipulations and agreements resolving these issues.

1. Except as otherwise amended herein, the Parties agree that all of the terms, conditions and provisions of the Initial Stipulation and Agreement filed in this case shall be and hereby are incorporated herein by reference.

Weather Mitigation Rate Design

2. The Parties agree to the establishment of the weather mitigation rate design as set forth and described in the rebuttal testimony of Laclede witness Michael T. Cline, as modified in accordance with the recommendations set forth in the surrebuttal testimony of: (i) David M. Sommerer relating to the preservation of existing Actual Cost Adjustment ("ACA") and refund factors and (ii) Michael S. Proctor relating to the billing of the PGA. Implementation of the weather mitigation rate design for C&I customers on the date recommended herein assumes availability of satisfactory billing determinant data.

3. To facilitate the Parties' ongoing evaluation and monitoring of the rate design proposed herein, the Company agrees to meet with Staff and Public Counsel within 90 days of the effective date of a final and unappealable Order approving this Stipulation and Agreement to determine what information, if any, in addition to that referenced in paragraph 14 of the Initial Stipulation and Agreement is reasonably necessary for this purpose, including any information relating to the impact, if any, of not establishing separate ACA factors. It is contemplated that such additional information shall be provided on a periodic basis to facilitate its timely use in a future complaint case, rate case or rate design proceeding. It is expressly understood that any party shall be free in any future complaint case, rate case or rate design proceeding to propose prospective elimination of, or modifications to, the rate design proposed herein without any burden of proof or presumption applying to the determination of whether an elimination of, or modifications to, the then existing rate design should be approved by the Commission. It is also understood that the impact of such weather mitigation rate design on the Company's risk has been given consideration in the settlement of the issues in this case.

Gas Supply Incentive Program

4. The Parties agree to the establishment of a gas supply incentive program ("GSIP") applicable to the Company's procurement and management of its gas supplies, as set forth and described in the rebuttal testimony of Public Counsel witnesses James A. Busch, Ryan Kind and Barbara A. Meisenheimer and as modified in accordance with certain recommendations of Staff witness David M. Sommerer. These modifications include: (a) the elimination of any remaining presumption of prudence or imprudence so as to maintain the Commission's 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; and (b) the addition of reporting requirements as more fully described in paragraph 5 of this Amended Partial Stipulation and Agreement.

5. To facilitate the Parties' ongoing evaluation and monitoring of the GSIP proposed herein, the Company agrees to provide quarterly monitoring reports to the Staff and the Office of the Public Counsel detailing any cost savings achieved under the GSIP, quantifying the share of such savings that the Company believes it is entitled to retain under the program and explaining the measures that were used to obtain such savings. 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 the anticipated requirements of its firm service customers. It is expressly understood that any party shall be free in any future complaint case or rate case proceeding to propose prospective elimination of, or modifications to, the GSIP proposed herein without any burden of proof or presumption applying to the determination of whether the GSIP

proposed herein, or an alternative GSIP, should be approved by the Commission, provided that, subject to the market-out clause of the proposal, no changes will be made to the GSIP any sooner than the effective date of rates in the Company's next general rate case proceeding or the last day of the September immediately following such effective date, whichever occurs later.

Return on Equity Determinations in Future Cases

6. The Company agrees that the adoption of a weather mitigation rate design in an LDC's rate structure reduces its weather-related business risk and therefore the business risk of the utility. Laclede also agrees that such reduced risk should be considered in the determination of a Return on Equity ("ROE") in the context of its next rate case. It is expressly understood that all Parties, including the Company, shall be free to recommend the ROE that they believe appropriately reflects all risks faced by the Company at the time of such case, together with any other consideration that such Party deems appropriate to the determination of a fair and reasonable ROE.

Rate Moratorium

7. The Company agrees that it will not file for a general increase in its base rates prior to March 1, 2004, unless a major, unusual event occurs, such as:

- (a) terrorist activity or an act of God or military conflict that significantly impacts the Company;
- (b) a significant change in federal or state laws or regulations applicable to utilities; or

- (c) a significant disruption in the Company's gas supplies or transportation services or other unexpected and significant change in the market conditions for such items.

Effective Date

8. The Company recommends that the terms and conditions set forth herein as well as in the Initial Stipulation and Agreement be implemented effective for service on and after November 1, 2002 and the Staff and Public Counsel have no objection to such recommendation and will cooperate in effecting such an implementation by such date.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this First Amended Partial Stipulation and Agreement.

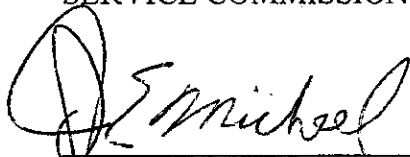
Respectfully submitted,

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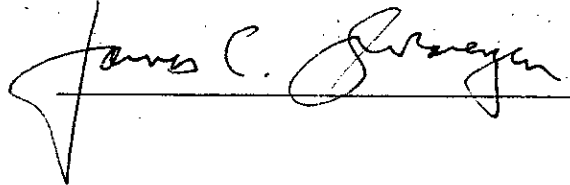


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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered, on this 29th day of August, 2002, to all parties of record.

A handwritten signature in cursive script, reading "James C. Swartz", is written over a horizontal line. The signature is fluid and stylized, with a large initial 'J' and 'S'.