

LACLEDE GAS COMPANY
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RICK ZUCKER
ASSISTANT GENERAL COUNSEL-REGULATORY

July 24, 2003

VIA FEDERAL EXPRESS

FILED²

JUL 25 2003

Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
Governor Office Building
200 Madison Street
P. O. Box 360
Jefferson City, MO 65102-0360

RE: Case No. GF-2004-0025

Dear Mr. Roberts:

Enclosed for filing, please find the original and eight copies of Laclede's Reply to Staff's Response to Laclede's Motion to Expedite in the above-referenced case. Please file-stamp the additional copy of this Reply and return the same in the pre-addressed, stamped envelope provided.

Thank you for your consideration in this matter.

Sincerely,


Rick Zucker

RZ:kz

cc: All parties of record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
JUL 25 2003

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) Case No. GF-2004-0025
Unissued Common Stock in a Total Amount Not to)
Exceed \$270 Million, Pursuant to a Universal)
Shelf Registration Statement)

**LACLEDE GAS COMPANY'S REPLY
TO STAFF'S RESPONSE TO LACLEDE'S MOTION TO EXPEDITE**

COMES NOW Laclede Gas Company ("Laclede" or "Company"), and files its Reply to the Staff's July 18, 2003 Response to Laclede's Motion to Expedite, and in support thereof, states as follows:

1. On July 9, 2003, Laclede filed an Application in the above referenced case seeking a three-year extension, with a minor modification, of the Commission's previous three-year authorization to issue long-term debt and stock. The Application covered the remaining \$270 Million out of the original \$350 Million that the Commission had authorized the Company to issue in August 2000 in Case No. GF-2000-843¹.

2. Because the Commission authorization in Case No. GF-2000-843 expires on September 1, 2003, the Company requested that the renewed authorization take effect on that date. The only modification involved with the Application is that, as a consequence of the formation of the holding company structure in 2001, Laclede would

¹ Between August 2000 and the present, Laclede has issued \$80 Million in first mortgage bonds. The Company subtracted this amount from the original \$350 Million authorization to arrive at its current request.

now obtain equity financing from its parent corporation, The Laclede Group, rather than from a public offering.

3. Given the routine nature of this filing and the limited scope of review that has historically been performed in these matters -- a scope dictated by the specific restrictions set forth in Section 393.200 RSMo. 2000 on how securities proceeds may be used -- it did not appear that a great deal of time would be required to process the Application. Accordingly, Laclede filed the Application more than seven weeks ahead of the September 1 deadline, a time frame consistent with the period of time that it has typically taken the Commission to process Laclede's financing applications over the past decade. To be frank, Laclede included a motion for expedited treatment with the Application, not because it anticipated that the Staff or Commission needed to act in a particularly expedited manner, but because the Company believed such motion to be the only vehicle by which it could procedurally communicate to the Commission that an order was needed by a certain date.

4. However, as set forth in Staff's July 18 Response to Laclede's Motion for Expedited Treatment, Staff is changing its approach to financing applications. Staff states that it has begun to develop conditions for utility financing to insure proper use of securities proceeds. Staff added that it "intends to work with Laclede to put such safeguards in place in this case. Staff asserts that sixty or ninety days is a reasonable period to do so."

5. Laclede maintains that Section 393.200 clearly prescribes the purposes for which securities proceeds can be used. As required by Commission Rule 3.220, these purposes are also described in paragraphs 14-17 of Laclede's Application. Nevertheless,

Laclede is willing to work with the Staff to evaluate and, where appropriate, implement additional safeguards to ensure that these legally prescribed purposes are satisfied. In fact, as a result of its Holding Company proceeding, Laclede has already implemented a number of the safeguards similar to those that it believes Staff will be pursuing.²

6. In the meantime, however, Laclede believes it is very important that the Company not be exposed to a gap in its authority to issue long-term debt or common stock. Laclede believes that it is crucial to maintain such authority, so that it may both react quickly to any unexpected needs or opportunities that may arise in the market, and also avoid giving any impression to the financial community that the Company cannot do so. Although Staff has correctly stated in its Response that Laclede has no immediate plans to issue securities subject to the Order in Case No. GF-2000-843, an immediate need could arise quickly and with little advance warning. Conversely, a window of opportunity to issue securities at an advantageous rate or price could also open quickly, and could shut just as quickly. Therefore, for the benefit of the Company and its customers, it behooves Laclede to be prepared by maintaining on a continuous basis both the shelf registration statement and the Commission authorization.

7. Moreover, in today's financial and market environment, it would be best for both Laclede and its customers to avoid giving any impression to the financial community that the Company is not able to raise long-term capital. This is simply not the


² Although Laclede fully intends to cooperate with the Staff in the consideration of additional safeguards, it does not agree that such safeguards are necessitated by the fact that Laclede is now part of a holding company structure. In paragraph 5 of its Response, Staff implies that a holding company structure opens an avenue whereby non-regulated operations can create financial difficulties for the regulated utility. To the contrary, one of the regulatory benefits of a holding company structure is that it generally allows for *greater* separation between regulated and non-regulated operations, thus better insulating the utility from the liabilities of the non-regulated company.

time to have a gap in authority to issue long-term debt or common stock. Therefore, Laclede requests that, if the Commission does not require the Staff to file its recommendation in time to issue an order by September 1, 2003, that the Commission extend the September 1, 2003 expiration date until such time as it issues a final order on Laclede's Application.

WHEREFORE, Laclede respectfully requests that if the Commission cannot approve its Application in this case by September 1, 2003, that it issue an order extending the expiration of the authorization issued in Case No. GF-2000-843 until the Commission issues a final order on Laclede's application.

Respectfully submitted,

LACLEDE GAS COMPANY

By  _____

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Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing Reply was served on the General Counsel of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel on this 24th day of July 2003 by hand-delivery, email, fax, or by placing a copy of such document, postage prepaid, in the United States mail.