

Exhibit No.:
Issue:
Witness:
Type of Exhibit:
Sponsoring Party:
Case No.:

Depreciation Rates
R. Lawrence Sherwin
Direct Testimony
Laclede Gas Company
GR-2001-629

FILED³

MAY 18 2001

Missouri Public
Service Commission

LACLEDE GAS COMPANY

GR-2001-629

DIRECT TESTIMONY

OF

R. LAWRENCE SHERWIN

Direct Testimony of R. Lawrence Sherwin

1
2
3 Q. Please state your name and business address.

4 A. My name is R. Lawrence Sherwin, and my business address is 720 Olive Street, St.
5 Louis, Missouri, 63101.

6 Q. What is your present position?

7 A. I am Assistant Vice President - Regulatory Administration of Laclede Gas Company.

8 Q. Please tell us how long you have held this position and describe your responsibilities.

9 A. I was appointed in February, 1999. In this position I am responsible for managing the
10 administration of Laclede's tariff and certain other federal and state regulatory matters,
11 and am also responsible for conducting various projects, studies, analyses and other
12 tasks from time to time.

13 Q. What is your educational background?

14 A. I graduated from St. Louis University in 1975 with the degree of Bachelor of Science
15 in Business Administration, majoring in Accounting.

16 Q. Are you a member of any professional organizations?

17 A. I am a member or the Institute of Management Accountants.

18 Q. Will you briefly describe your experience with the Company prior to assuming your
19 current position?

20 A. I joined Laclede in 1975 as an Accountant. I was transferred the following year to the
21 Budget department, where I served in senior staff and assistant managerial capacities.
22 I later served successively as Supervisor of Corporate Accounting and Manager of
23 Financial Planning. In 1982 I was appointed Manager of Accounting, with
24 responsibility for managing Corporate Accounting, General Accounting and Property
25 Records departments. In 1988 I was named Director of Customer Accounting, with

1 responsibility for Collection and Credit, Customer Accounting, Meter Reading and
2 Methods and Procedures. Cashiers was added to my area of responsibility in 1991. In
3 August 1992 I was elected Assistant Vice President of Customer Accounting.
4 Effective January 1997 I was named Assistant Vice President of Human Resources.
5 Although several of my assignments detailed above have been in other areas, I have
6 assisted in various facets of Laclede's rate matters over much of my employment,
7 including work at times in cases filed by Mississippi River Transmission Corporation,
8 an interstate pipeline that serves Laclede.

9 Q. Have you previously filed testimony before this Commission?

10 A. Yes. I have also testified before the Federal Energy Regulatory Commission.

11 Q. What is the purpose of your testimony?

12 A. I will sponsor and explain the depreciation rates Laclede is proposing in this case.

13 Q. Are you presenting a depreciation study?

14 A. Yes. The proposed rates stem from a depreciation study completed by the Company in
15 April 1998, and from the review of that study which was performed by the
16 Commission Staff. I have updated this study, and I am sponsoring the updated study.

17 Q. Are you sponsoring any schedules?

18 A. Yes, I am sponsoring Section D, Schedule 1.

19 **Depreciation Rates**

20 Q. What do you believe is the function of depreciation accounting?

21 A. The American Institute of Certified Public Accountants ("AICPA") defines
22 depreciation in its Accounting Terminology Bulletin, Paragraph 56 (August 1953):
23 "Depreciation accounting is a system of accounting which aims to distribute the cost
24 or other basic value of tangible capital assets, less salvage (if any), over the estimated

1 useful life of the unit (which may be a group of assets) in a systematic and rational
2 manner. It is a process of allocation, not of valuation."

3 In Accounting for Public Utilities, by Robert L. Hahne and Gregory Aliff, on
4 page 6-6, this AICPA definition is analyzed:

5 "... several aspects are important:

- 6 (1) Salvage (net salvage) is to be recognized.
- 7 (2) The allocation is to be over the life of the asset.
- 8 (3) The assets being depreciated may be a group of assets.
- 9 (4) Depreciation accounting is a process of allocation, not valuation.
- 10 (5) Most importantly, the allocation must be systematic and rational."

11 The National Association of Regulatory Utility Commissioners (NARUC) has
12 defined depreciation accounting as "the mechanism through which the capital invested
13 in depreciable plant is recovered. It is the process used to allocate that capital
14 investment to the accounting periods during which the depreciable plant is in service.
15 A system of accounting which allocates the cost adjusted for salvage over the
16 estimated useful life of a property unit or group of assets in a systematic and rational
17 manner."

18 The NARUC Uniform System of Accounts includes a number of definitions
19 which were arranged in the book by Hahne and Aliff in a manner which is helpful:

- 20 (1) *Depreciation*, as applied to depreciable utility plant, means the loss in service
21 value not restored by current maintenance, incurred in connection with the
22 consumption or prospective retirement of utility plant in the course of service
23 from causes which are known to be in current operation and against which the
24 utility is not protected by insurance. Among the causes to be given
25 consideration are wear and tear, decay, action of the elements, inadequacy,

1 obsolescence, changes in the art, changes in demand and requirements of public
2 authorities, and, in the case of natural gas companies, the exhaustion of natural
3 resources.

4 (2) *Service value* means the difference between original cost and net salvage value
5 of utility plant.

6 (3) *Original cost*, as applied to utility plant, means the cost of such property to the
7 person first devoting it to public service.

8 (4) *Net salvage value* means the salvage value of property retired, less the cost of
9 removal.

10 (5) *Salvage value* means the amount received from property retired, less any
11 expenses incurred in connection with the sale or in preparing the property for
12 sale, or if retained, the amount at which the material recoverable is chargeable
13 to materials and supplies, or other appropriate accounts.

14 (6) *Cost of removal* means the cost of demolishing, dismantling, tearing down or
15 otherwise removing utility plant, including the cost of transportation and
16 handling incidental thereto.

17 (7) *Service life* means the time between the date utility plant is includible in utility
18 plant in service, or utility plant leased to others, and the date of its retirement. If
19 depreciation is accounted for on a production basis rather than on a time basis,
20 then service life should be measured in terms of the appropriate unit of
21 production."

22 Laclede's depreciation accounting is typical of that of most industries whereby
23 an annual rate determined for the various accounts and classes of property is applied to
24 the original cost of such property.

1 Q. Are proper depreciation accrual rates especially important to a regulated local gas
2 distribution company?

3 A. Yes. Depreciation rates involve the recovery or return of capital. Return allowances
4 on investment within the regulated utility industry do not provide for the substantial
5 risk that would be involved if the original investment in utility plant were not
6 recovered.

7 Q. Please describe the depreciation system employed historically by Laclede Gas
8 Company.

9 A. Since its incorporation by an act of the Missouri legislature in 1857, Laclede has used
10 a number of methods of accounting for its fixed asset recovery, some of which would
11 hardly be recognized today as depreciation. At times, the method was based upon the
12 Company's sales level, rather than an annual rate applied to a property balance. A
13 retirement reserve method was used for some years, where the level of accrual was far
14 below that which would fit the AICPA's definition set forth above. This retirement
15 reserve method did not conform with Generally Accepted Accounting Principles at the
16 time, and caused the Company's outside auditor to issue a "qualified opinion" for the
17 Company's financial statements at the time and for some years following the rejection
18 of retirement reserve accounting in favor of straight-line depreciation effective
19 September 1, 1953. This carry-over effect was because the Accumulated Reserve for
20 Depreciation continued to be materially less than a reserve computed on a straight-line
21 or service-life basis because of the accounting practice prior to September 1, 1953.
22 Since September 1953, Laclede has used the straight line - average life - amortization
23 method of depreciation (SL-AL-AM). Under this method, the accrual rate is normally
24 calculated by this formula:

$$\text{Depreciation Rate} = \frac{100\% - \% \text{ Net Salvage}}{\text{Average Service Life (years)}}$$

where net salvage equals gross salvage minus cost of removal. The "% Net Salvage" (net salvage percentage) in the formula equals net salvage for a period, divided by the retirement value for that same period, in order to derive a percentage. This percentage is combined with unity (100%) before dividing by the average service life.

Q. Can you provide an example of a properly derived depreciation rate using this method?

A. Certainly. A car provides a good example. When a person or company purchases a new car, what is known for certain is the cost (the purchase price and sales taxes). To calculate the depreciation rate, an estimate must be made of the service life and of the net salvage. Assuming a cost of \$20,000 with the intention to keep the car for five years, straight line depreciation excluding net salvage could be easily figured at \$4,000 per year (\$20,000 divided by five years). Further assuming that the car will be sold (or "traded in") at the end of five years for \$5,000, we can now easily figure straight line depreciation at \$3,000 (the result of \$20,000 minus \$5,000, divided by five years). Now turning to the formula, the net salvage percentage would equal 25% (\$5,000 divided by \$20,000). The formula for determining the depreciation rate is now expressed as:

$$\frac{100\% - 25\%}{5} \quad \text{or} \quad \frac{75\%}{5} \quad \text{or} \quad 15\%.$$

Then using the 15% per year depreciation rate, we could multiply times \$20,000 to produce an annual accrual of \$3,000 (15% times \$20,000). Note that properly including the net salvage in the computation is critical, since omitting salvage would misstate annual depreciation by 33%, comparing \$4,000 to the correct \$3,000.

1 Q. Regarding the net salvage, your example assumes you determined the disposition price
2 for this car, but this discrete estimation process might be impractical for a large
3 number of units. How might this be handled?

4 A. We can use recent sales of old cars to derive a reasonable net salvage percentage.
5 Assume the following history:

6

Year of Disposition	Vintage of Car	Original Cost	Disposition Price
1996	1991	\$10,000	\$ 2,700
1997	1992	\$12,000	\$ 2,900
1998	1993	\$13,000	\$ 3,000
1999	1994	\$14,000	\$ 3,400
2000	1995	\$15,000	\$ 4,000
		\$64,000	\$16,000

7 Net Salvage percentage = $\frac{\$16,000}{\$64,000} = 0.25 = 25\%$ of Original Cost
8

9 As you can see, the old cars maintained an average resale value of approximately 25%
10 of original cost. This, then, yields a reasonable rate to use in the formula, without the
11 need for performing a specific estimate of what the resale value of a brand new car
12 will be five years from now.

13 Q. Is this the system used to arrive at the depreciation rates which are now in effect for
14 Laclede?

15 A. While the authorized rates for certain accounts were determined based on this method,
16 all of the larger plant accounts carry an annual depreciation rate first recommended by
17 Staff witness Paul Adam in Laclede's general rate Case No. GR-98-374. The method
18 used by Mr. Adam to produce such rates departs substantially from this method in that
19 it fails to make adequate provision for future net salvage costs. The Stipulation and
20 Agreement in settlement of that case, nonetheless, instituted Staff's rates, with the

1 explicit provision that no party to the case had agreed to any ratemaking or procedural
2 principles, including depreciation.

3 In its order in our most recent case, this Commission approved the depreciation
4 rates advocated by Mr. Adam. This issue is currently under appeal in the Courts.

5 Q. Are the rates currently in place adequate?

6 A. No. Laclede is requesting Commission authority to base its annual depreciation rates
7 on Steel Mains, Plastic Mains, Steel Services, and Plastic & Copper Services on the
8 Straight-line method that for nearly five decades was used by the Company and this
9 Commission to determine such rates. The rates the Company is recommending for
10 these accounts are shown in Section D, Schedule 1, along with the rates in effect
11 currently.

12 Q. Are your rates supported by a depreciation study?

13 A. The proposed rates are supported by the study which was prepared in connection with
14 Case No. GR-98-374 by an engineer at Laclede, Richard A. Kottemann, Jr. The
15 recommendations take into account a review of Staff testimony and work papers from
16 MoPSC Case No. GR-98-374.

17 Q. What procedure was used to arrive at the estimated average service life?

18 A. Actuarial techniques were used to develop survivor curves for most plant accounts.
19 These curves express the relationship of the percentage of the property which survives
20 in service at varying ages, from zero to maximum life. The curves developed from
21 these data were then compared to published Iowa-type curves and an average service
22 life was determined.

23 Q. Please explain the Iowa-type curves.

24 A. The Iowa curves were first set out in the 1935 publication Statistical Analysis of
25 Industrial Property Retirements, Bulletin 125 by the Iowa Engineering Experiment

1 Station of Iowa State College. The Iowa curves resulted from a study of some 176
2 groups of industrial and utility properties. The curves and corresponding tables were
3 empirically derived from actual experience, and their widespread acceptance for over
4 60 years has confirmed their validity. Experience has shown that the service lives of
5 gas utility properties follow survivor curve relationships which, in general, closely
6 overlay the shapes of the Iowa curves. These curves can be divided into families, the
7 most common of which are the left-modal (L), the symmetrical (S), and the right-
8 modal (R) curves. The primary use of Iowa curves is as a device for smoothing the
9 survivor curves and extending stub curves to obtain an estimate of the probable
10 average service life of the property.

11 Q. What is the source of the net salvage figures used in the depreciation rate
12 computations?

13 A. Cost of removal and salvage histories of each account, or account group, were
14 reviewed for a 15-year period spanning 1982 through 1996. When the cost of removal
15 exceeds gross salvage value, the net salvage becomes a negative percentage, thereby
16 increasing the accrual requirement.

17 Q. Are the existing rates based on a similar analysis?

18 A. In developing the rates which were used in the last case and the preceding settlement,
19 Mr. Adam appears to have employed a study methodology that was similar to
20 Laclede's up, to a point. His testimony and recommended rates include an
21 unconventional methodology with respect to net salvage.

22 Q. Can you describe in what way the methodology for determining net salvage was
23 unconventional?

24 A. Under Mr. Adam's approach, the net salvage component of the SL-AL-AM
25 depreciation formula was computed differently from the conventional method I

1 described above. Rather than calculating net salvage as a percent of retirement value,
2 Mr. Adam adjusted this figure by multiplying it times the ratio of the average service
3 life to what he terms the "implied service life." As described in Mr. Adam's testimony
4 in Case No. GR-98-374, this adjustment was supposedly designed to limit the
5 Company's recovery for cost of removal to only a level representative of the current
6 retirement rate of the account.

7 Q. Why do you object to this treatment of net salvage?

8 A. The result of Mr. Adam's treatment is to woefully understate the annual accrual for
9 depreciation for the affected property. This treatment violates generally accepted
10 depreciation accounting principles by shifting expense recognition and rate recovery to
11 uncertain future periods. It cannot result in "straight line" rates (except by
12 extraordinary coincidence) for long-lived property with significant positive or negative
13 net salvage.

14 Referring to the AICPA definition of depreciation, Mr. Adam's method does not
15 distribute net salvage costs over the estimated useful life in a systematic and rational
16 manner. Rather, Mr. Adam's method defers the allocation of net salvage until the end
17 of the useful life of the asset, by in effect allowing only net salvage amounts actually
18 incurred prior to the determination of rates to be included in the depreciation rate
19 calculation. This back-loading of net salvage into depreciation violates the accepted
20 concept of allocating the full cost of a capital asset over its productive life.

21 The end-result of Mr. Adam's methodology for assets with negative net
22 salvage, such as Laclede's mains and services, is to backslide fifty years to the days of
23 a "retirement reserve" rather than accrued depreciation, with respect to such costs of
24 removal. This will result in a fundamental mismatch between the benefits received by
25 customers from the use of the Company's assets and how the customer is charged for

1 the cost of such assets. In effect, Mr. Adam's methodology requires ratepayers to pay
2 the cost associated with assets that are no longer used to serve them while
3 simultaneously preventing them from paying the full cost of assets that are being used
4 to serve them. Such as result is fundamentally inconsistent with both long-standing
5 principles of depreciation accounting as well as the concept of inter-generational
6 equity.

7 Q. Which accounts do you propose be revised in this proceeding to exclude the effects of
8 this unconventional methodology?

9 A. Mains and services.

10 Q. How do you propose to modify rates on mains and services?

11 A. I have prepared Schedule 1 to illustrate my recommended rates.

12 Q. Please describe Schedule 1.

13 A. Schedule 1 compares respective depreciation rates for mains and services calculated in
14 two different ways. First are listed the rates recommended by Mr. Adam using his
15 adjusted net salvage methodology (the Current Rate). Next are shown rates which
16 were arrived at using information extracted from Mr. Adam's work papers in Case No.
17 GR-98-374. The difference is attributable entirely to the net salvage adjustment.

18 Q. Were other accounts similarly subjected to Staff's net salvage adjustment?

19 A. Yes, but mains and services incurred the greatest adverse impact from the change, and
20 our focus at this time is on rectifying rates for these accounts.

21 Q. Are you agreeing with the methodology and resultant depreciation rates for accounts
22 other than mains and services?

23 A. No, not at all. Laclede is not requesting a change for other accounts at this time, but
24 we should adjust those rates at some future time.

25 Q. Could you please summarize your testimony?

- 1 A. In summary, Laclede's depreciation rates for mains and for services should be revised
2 in accordance with the proposed rates shown on Schedule 1.
- 3 Q. Does this complete your direct testimony?
- 4 A. Yes, it does.

LACLEDE GAS COMPANY

MODIFIED DEPRECIATION RATES

<u>ACCOUNT DESCRIPTION</u>	<u>ASL</u>	<u>Salv.</u>	<u>Depr. Rate</u>
<u>Steel Mains</u>			
Current Rate (adjusted net salvage)	83	-6	1.28%
*Unadjusted Staff Rate, GR-98-374	83	-43	1.72%
<u>Plastic Mains</u>			
Current Rate (adjusted net salvage)	53	-1	1.91%
*Unadjusted Staff Rate, GR-98-374	53	-35	2.55%
<u>Steel Services</u>			
Current Rate (adjusted net salvage)	45	-60	3.55%
*Unadjusted Staff Rate, GR-98-374	45	-110	4.67%
<u>Plastic and Copper Services</u>			
Current Rate (adjusted net salvage)	44	-15	2.61%
*Unadjusted Staff Rate, GR-98-374	44	-93	4.39%

*Per Staff work papers submitted during Case No. GR-98-374.

FILED³
MAY 18 2001

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of Laclede Gas Company's)
Tariff to Revise Natural Gas Rate)
Schedules.)

Case No. GR-2001-629

AFFIDAVIT

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

R. Lawrence Sherwin, of lawful age, being first duly sworn, deposes and states:

1. My name is R. Lawrence Sherwin. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Assistant Vice President - Regulatory Administration for Laclede Gas Company.

2. Attached hereto and made part hereof for all purposes is my direct testimony, consisting of pages 1 to 12 and one schedule, inclusive; and Section D - Schedule 1.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded and the information contained in the attached schedule is true and correct to the best of my knowledge and belief.

R. Lawrence Sherwin
R. Lawrence Sherwin

Subscribed and sworn to before me this 16th day of May, 2001.

Susan M. Kopp

SUSAN M. KOPP
Notary Public — Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Dec. 19, 2003

FILED³

MAY 18 2001

Missouri Public
Service Commission

SCHEDULES

LACLEDE GAS COMPANY
ACCOUNTING AND OTHER SUPPORTING SCHEDULES
RATE CASE NO. GR-2001-629
SUBMITTED TO: MISSOURI PUBLIC SERVICE COMMISSION
ON MAY 18, 2001
TABLE OF CONTENTS

	<u>Schedule</u>	<u>Pages</u>	<u>Witness</u>
<u>Section A-Rate Base</u>			
Original Cost Rate Base	1	1	P. A. Krieger
Special Deposits	2	1	P. A. Krieger
Propane Gas Inventory	3	1	P. A. Krieger
Natural Gas Stored Underground - Laclede Field	4	1	P. A. Krieger
Natural Gas Stored Underground - Other	5	1	P. A. Krieger
Prepayments	6	1	P. A. Krieger
Materials and Supplies	7	1	P. A. Krieger
Summary of Lag Time in Revenue	8	1	G. W. Buck
Summary of Cash Working Capital	9	1	K. M. Beerup
 <u>Section B-Cost Of Capital</u>			
Capital Components and Weighted Cost	1	4	G. W. Buck
 <u>Section C-Test Year Utility Operating Income</u> <u>Statements and Adjustments</u>			
Income Statement as Adjusted For Normalization and Annualization	1	1	J. A. Fallert
Adjustment to Items of Income and Expense	2	1-5	J. A. Fallert
Revenue Adjustments:			
Weather	3	1-14	P. A. Krieger
Firm Sales Service Load Changes	4	1	P. A. Krieger
Firm Transportation Load Changes	5	1	P. A. Krieger
Basic Transportation Load Changes	6	1	P. A. Krieger
Interruptible Rate Load Changes	7	1	P. A. Krieger
Annualization of Revenue - Unrealized Portion of Customer Changes	8	1	P. A. Krieger
Customer Accounts Expense:			
Uncollectible Accounts	9	1	P. A. Krieger
Postage and Other Mailing Expenses	10	1	S. M. Kopp
Administrative and General Expense:			
Pension Expense - FAS 87 and FAS 88	11	1	J. A. Fallert
Other Postretirement Benefits Expenses (FAS 106)	12	1	J. A. Fallert
401(k) Contributions and Trustee Fees	13	1	J. A. Fallert
Medical, Dental and Vision Insurance, Regulatory Commission, and Rent	14	1	S. M. Kopp
Wages and Salaries Applicable to Operation and Maintenance	15	1	J. A. Fallert
Miscellaneous Expenses:			
Merchandise Sales Personnel's Salaries	16	1	J. A. Fallert
Gas Safety Replacement Program	17	1	J. A. Fallert
Depreciation and Amortization	18	1	P. A. Krieger
Taxes Other Than Income Taxes	19	1-2	J. A. Fallert
Income Taxes	20	1-3	J. A. Fallert

LACLEDE GAS COMPANY
ACCOUNTING AND OTHER SUPPORTING SCHEDULES
RATE CASE NO. GR-2001-629
SUBMITTED TO: MISSOURI PUBLIC SERVICE COMMISSION
ON MAY 18, 2001
TABLE OF CONTENTS

	<u>Schedule</u>	<u>Pages</u>	<u>Witness</u>
<u>Section D-Depreciation and Amortization Rates</u>			
Depreciation Rate Schedule	1	1-5	R. L. Sherwin
<u>Section E-Additional Evidence</u>			
Rate of Return on Original Cost Rate Base and Related Return on Common Equity	1	1	G. W. Buck

ORIGINAL COST RATE BASE

(Thousands of Dollars)

<u>Description</u>	<u>July 31, 2001</u>
Utility Plant in Service	\$931,481
Natural Gas Stored Underground - Non-Current	5,884
Subtotal of Plant	<u>\$937,365</u>
-Deduct:	
Accumulated Provision for Depreciation of Gas Plant and Provision for Depletion and Amortization of Land, Land Rights and Other Gas Plant in Service	(\$381,574)
Customer Advances for Construction	(339)
Subtotal of Plant Deductions	<u>(\$381,913)</u>
Net Plant	\$555,452
Add:	
Special Deposits	\$10
Propane Gas Inventory	11,671
Natural Gas Stored Underground - Laclede Field	15,016
Natural Gas Stored Underground - Other	42,626
Prepayments	1,936
Material and Supplies	5,603
Prepaid Pension Asset	97,192
Gas Safety Deferral	2,871
Insulation Financing and EnergyWise Program Loans	3,064
Cash Working Capital	6,124
Total Working Capital	<u>186,113</u>
-Deduct:	
Customer Deposits	(3,628)
Deferred Income Taxes	<u>(93,614)</u>
Original Cost Rate Base	<u><u>\$644,323</u></u>

LACLEDE GAS COMPANY
SPECIAL DEPOSITS

(Thousands of Dollars)

<u>Date</u>	<u>Balance</u>
February 29, 2000 (half month)	\$5
March 31	10
April 30	10
May 31	10
June 30	10
July 31	10
August 31	10
September 30	10
October 31	10
November 30	10
December 31	10
January 31, 2001	10
February 28, 2001 (half month)	5
Total - 12 Months	<u>\$120</u>
12-Month Average	<u>\$10</u>

LACLEDE GAS COMPANY
PROPANE GAS INVENTORY

(Thousands of Dollars)

<u>Date</u>	<u>Balance</u>
February 29, 2000 (half month)	\$6,100
March 31	12,202
April 30	12,202
May 31	12,202
June 30	12,201
July 31	12,201
August 31	12,201
September 30	12,201
October 31	12,201
November 30	12,187
December 31	9,717
January 31, 2001	9,622
February 28, 2001 (half month)	4,811
Total - 12 Months	<u>\$140,048</u>
12-Month Average	<u>\$11,671</u>

LACLEDE GAS COMPANY
NATURAL GAS STORED UNDERGROUND - LACLEDE FIELD

(Thousands of Dollars)

<u>Date</u>	<u>Balance</u>
February 29, 2000 (half month)	\$6,871
March 31	14,004
April 30	13,727
May 31	13,807
June 30	13,745
July 31	13,697
August 31	13,115
September 30	16,511
October 31	18,472
November 30	19,394
December 31	13,798
January 31, 2001	16,447
February 28, 2001 (half month)	6,601
Total - 12 Months	<u>\$180,189</u>
12-Month Average	<u>\$15,016</u>

LACLEDE GAS COMPANY
NATURAL GAS STORED UNDERGROUND - OTHER

(Thousands of Dollars)

<u>Date</u>	<u>Balance</u>
February 29, 2000 (half month)	\$8,358
March 31	8,723
April 30	4,753
May 31	8,731
June 30	25,533
July 31	45,095
August 31	59,734
September 30	78,241
October 31	101,221
November 30	80,794
December 31	47,682
January 31, 2001	31,893
February 28, 2001 (half month)	10,759
Total - 12 Months	<u>\$511,517</u>
12-Month Average	<u>\$42,626</u>

LACLEDE GAS COMPANY
PREPAYMENTS

(Thousands of Dollars)

<u>Date</u>	<u>Balance</u>
February 29, 2000 (half month)	\$1,231
March 31	2,130
April 30	2,449
May 31	2,112
June 30	2,010
July 31	2,067
August 31	1,752
September 30	1,431
October 31	2,217
November 30	1,868
December 31	1,567
January 31, 2001	1,653
February 28, 2001 (half month)	740
Total - 12 Months	<u>\$23,227</u>
12-Month Average	<u>\$1,936</u>

LACLEDE GAS COMPANY
MATERIALS AND SUPPLIES

(Thousands of Dollars)

<u>Date</u>	<u>Balance</u>
February 29, 2000 (half month)	\$2,730
March 31	5,363
April 30	5,706
May 31	5,943
June 30	5,740
July 31	5,708
August 31	5,521
September 30	5,256
October 31	5,274
November 30	5,555
December 31	5,848
January 31, 2001	5,739
February 28, 2001 (half month)	2,857
Total - 12 Months	<u>\$67,240</u>
12-Month Average	<u>\$5,603</u>

Laclede Gas Company
Summary Of Revenue Lag Time

Calculation of Overall Revenue Lag Time

		(Thousands)	
	<u>Lag Time - Days</u>	<u>Normalized Revenues</u>	<u>Dollar-Days (Days X Rev)</u>
(1) Sales Customer Bills	45.36	\$735,181	33,348,860
(2) Transportation Customer Bills	37.79	46,609	1,761,354
(3) Incidental Oil Sales	36.66	126	4,619
(4) Late Payment Charges	26.79	<u>4,201</u>	<u>112,545</u>
Total		<u>\$786,117</u>	<u>35,227,378</u>
Overall Revenue Lag Time (Dollar Days Divided by Normalized Revenues)			
	<u>44.81</u>		

Detail of Customers' Bills Lag Time

	Sales Customers Days	Transportation Customers Days
One-half of Average Billing Period (Weighted For Revenue Effect)	15.49	15.19
Meter Reading Date until Date Bills Mailed	2.98	4.33
Date Bill Mailed until Date Bill Paid (Average Daily Receivable Balance Divided By Average Daily Revenues)	<u>26.89</u>	<u>18.27</u>
Total	<u>45.36</u>	<u>37.79</u>

LACLEDE GAS COMPANY
SUMMARY OF LAG TIME FROM PAYMENT OF EXPENSE UNTIL REVENUE IS RECEIVED
TEST YEAR ENDED FEBRUARY 28, 2001
(Thousands of Dollars)

	Normalized 12 Month Expenses	Average Daily Expense	Lag Days From Day of Expense To Day Paid	Net (Lead)/Lag Days from Day Exp. Paid To Day Rev. Rec'd	Cash Required For Operating Expenses
Gas Costs					
Natural Gas	479,443	1,313.542	40.7	4.1	5,386
L.P. - Peaking	6,382	17.485	31.5	13.3	233
L.P. - Subdivision	60	0.164	50.8	(6.0)	(1)
Total Gas Costs	<u>485,885</u>	<u>1,331.191</u>			<u>5,618</u>
Labor and Related Expenses					
Wages - Contract	54,974	150.614	12.0	32.8	4,940
- Management	20,708	56.734	16.2	28.6	1,623
- Missouri Natural	5,448	14.926	13.0	31.8	475
Group Insurance	9,523	26.090	(2.4)	47.2	1,231
401 (k) Contributions	2,523	6.912	11.4	33.4	231
Pensions and Other Postretirement Benefits	3,947	10.814	52.6	(7.8)	(84)
Total Labor and Related Expenses	<u>97,123</u>	<u>266.090</u>			<u>8,416</u>
Other Expenses					
Material and Supplies	3,115	8.534	24.1	20.7	177
Transportation	1,437	3.937	22.2	22.6	89
Natural Gas Costs to Operations	469	1.285	35.4	9.4	12
Utilities	1,992	5.458	26.0	18.8	103
Postage	1,908	5.227	(6.1)	50.9	266
Misc. Customer Accounts Expense	1,321	3.619	42.0	2.8	10
Uncollectible Accounts - Actual	4,074	11.162	182.5	(137.7)	(1,537)
Uncollectible Accounts - Adjustment	2,552	6.992	0.0	44.8	313
Advertising Items	899	2.463	32.2	12.6	31
Fees - Misc. Services	1,828	5.008	92.6	(47.8)	(239)
MoPSC Assessment	1,536	4.208	0.0	44.8	189
Rents	804	2.203	(1.2)	46.0	101
Miscellaneous Expense	10,132	27.759	30.0	14.8	411
Total Expense	<u>32,067</u>	<u>87.855</u>			<u>(74)</u>
Incidental Oil Sales - Expense	19	0.052	67.3	(22.5)	(1)
Subtotal of Above Expenses	<u>615,094</u>	<u>1,685.188</u>			<u>13,959</u>
Taxes (Other Than Deferred Taxes)					
Distribution - Income Taxes	6,870	18.822	62.5	(17.7)	(333)
- Gross Receipts Taxes	38,229	104.737	*	(7.9)	(827)
- Employment Taxes	5,937	16.266	16.1	28.7	467
- Property Taxes	12,702	34.800	182.5	(137.7)	(4,792)
- Other Taxes	294	0.805	(1.0)	45.8	37
Total Taxes	<u>64,032</u>	<u>175.430</u>			<u>(5,448)</u>
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION, AND DEFERRED TAXI	679,126	1,860.618			8,511
Sales Taxes	10,061	27.564	*	10.3	284
Employee Taxes Withheld	20,722	56.773	*	(3.3)	(187)
Interest Expense Offset - LTD	22,032	60.362	91.3	(46.5)	(2,807)
Interest Expense Offset - STD	3,608	9.885	12.1	32.7	323
TOTAL CASH WORKING CAPITAL ITEMS	<u>735,549</u>	<u>2,015.202</u>			<u>6,124</u>

* - Net (Lead)/Lag Days determined independently for these items

LACLEDE GAS COMPANY
CAPITAL STRUCTURE
February 28, 2001
(Thousands of Dollars)

	<u>Amount</u>	<u>Percent Of Total</u>
Redeemable Preferred Stock:		
Authorized 1,480,000 shares \$25 Par Value		
Issued and Outstanding		
5.0% Series B 64,000 shares	\$1,600	
4.56% Series C 6,507 shares	163	
Total Preferred Stock	<u>\$1,763</u>	<u>0.3%</u>
Common Equity:		
Authorized 50,000,000 shares-\$1 Par Value		
Issued and Outstanding: 20,743,625 shares	\$20,744	
Premium on Common Stock	85,424	
Other Paid-In Capital	413	
Retained Earnings	222,062	
Less: Treasury Stock: 1,865,638 Shares	<u>(24,017)</u>	
Total Common Stock Equity	<u>\$304,626</u>	<u>51.7%</u>
Long-Term Debt:		
First Mortgage Bonds:		
6-1/4% Series Due May 1, 2003	\$25,000	
8-1/2% Series Due November 15, 2004	25,000	
8-5/8% Series Due May 15, 2006	40,000	
7-1/2% Series Due November 1, 2007	40,000	
6-1/2% Series Due November 15, 2010	25,000	
6-1/2% Series Due October 15, 2012	25,000	
7 % Series Due June 1, 2029	25,000	
7-9/10% Series Due September 15, 2030	30,000	
Unamortized Discount, Expense, and Loss On Reacquired Debt	<u>(2,345)</u>	
Total Long-Term Debt	<u>\$232,655</u>	<u>39.5%</u>
Short Term Debt:		
Average Short Term Debt	<u>\$50,085</u>	<u>8.5%</u>
Total Capitalization	<u><u>\$589,129</u></u>	<u><u>100.0%</u></u>

LACLEDE GAS COMPANY
CAPITAL STRUCTURE
ADJUSTED FOR NON-UTILITY SUBSIDIARY EQUITY INVESTMENTS AND RETAINED EARNINGS
February 28, 2001
(Thousands of Dollars)

<u>Capital Component</u>		<u>Amount</u>	<u>Capitalization Ratio</u>
Long-Term Debt		\$232,655	40.8%
Short-Term Debt		50,085	8.8%
Redeemable Preferred Stock		1,763	0.3%
Common Equity	\$304,626		
Less: Subsidiary Equity Investments and Retained Earnings	<u>(19,187)</u>	<u>285,439</u>	<u>50.1%</u>
Totals		<u>\$569,942</u>	<u>100.0%</u>

Weighted Costs

Weighted Costs used to develop requested rate of return are detailed in Section E, Additional Evidence.

EMBEDDED COSTS OF DEBT
February 28, 2001

(Thousands of Dollars)

	<u>Amount Outstanding</u>	<u>Annualized Cost</u>
<u>Long-Term Debt</u>		
<u>First Mortgage Bonds</u>		
6-1/4% Series Due 2003	\$25,000	\$1,562.500
8-1/2% Series Due 2004	25,000	2,125.000
8-5/8% Series Due 2006	40,000	3,450.000
7-1/2% Series Due 2007	40,000	3,000.000
6-1/2% Series Due 2010	25,000	1,625.000
6-1/2% Series Due 2012	25,000	1,625.000
7 % Series Due 2029	25,000	1,750.000
7-9/10% Series Due 2030	30,000	2,370.000
Unamortized Discount, Expense, and Loss On Reacquired Debt	<u>(2,345)</u>	<u>399.961</u>
Total	<u>\$232,655</u>	<u>\$17,907.461</u>
Embedded Cost of Long-Term Debt		<u>7.70%</u>
<u>Short Term Debt</u>		
Average Short Term Debt Balance	<u>\$50,085</u>	<u>\$3,160.364</u>
Embedded Cost of Short Term Debt		<u>6.31%</u>

EMBEDDED COST OF PREFERRED STOCK
February 28, 2001

(Thousands of Dollars)

	<u>Amount Outstanding</u>	<u>Annualized Cost</u>
<u>Redeemable Preferred Stock</u>		
5.0% Series B	\$1,600	\$80.000
4.56% Series C	<u>163</u>	<u>7.433</u>
Totals	<u>\$1,763</u>	<u>\$87.433</u>
Embedded Cost of Preferred Stock		<u>4.96%</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 1, Page 1 of 1

LACLEDE GAS COMPANY
Test Year and Pro Forma Utility Operating Income Statements
Year Ended February 28, 2001

(Thousands of Dollars)

	Income per Books		Normalization & Annualization Adjustments	Pro Forma Income
Operating Revenues				
Gas Service Revenues				
Residential Sales	\$564,811			\$564,811
Commercial & Small Industrial Sales	221,852			221,852
Interruptible Sales	2,879			2,879
Transportation Sales	13,975			13,975
Late Payment Charges	4,201			4,201
Other Operating Revenues	36,254			36,254
Revenue Adjustments		-1-	(\$64,348)	(64,348)
Total Operating Revenues	<u>\$843,972</u>		<u>(\$64,348)</u>	<u>\$779,624</u>
Operating Expenses				
Natural Gas Supply Expense	\$569,140	-2-	(\$50,677)	\$518,463
Other Operation Expenses				
Manufactured Gas Production	238			238
Underground Storage	1,227			1,227
Other Storage	522			522
Distribution	28,774			28,774
Customer Accounts	28,399	-3-	3,076	31,475
Customer Service & Informational Expense	613			613
Sales	3,424			3,424
Administrative and General	29,477	-4-	7,797	37,274
Total Operation Expenses	<u>\$661,814</u>		<u>(\$39,804)</u>	<u>\$622,010</u>
Maintenance	18,551			18,551
Wage and Salary Incr. Appl. to Oper. & Mtce.		-5-	\$4,835	4,835
Miscellaneous Expense Adjustments		-6-	(4,687)	(4,687)
Depreciation and Amortization	25,730	-7-	8,248	33,978
Taxes, Other Than Income Taxes	58,161	-8-	2,295	60,456
Income Taxes - Federal, Net of ITC, State and City	19,537	-9-	(11,661)	7,876
Total Operating Expenses	<u>\$783,793</u>		<u>(\$40,774)</u>	<u>\$743,019</u>
Total Utility Operating Income	<u>\$60,179</u>		<u>(\$23,574)</u>	<u>\$36,605</u>

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended February 28, 2001

(Thousands of Dollars)

<u>Adjustment Number</u>	<u>Schedule</u>	<u>Increase</u>	<u>Decrease</u>
1. Operating Revenues			
a. Adjust revenues for weather - general rate.	3		\$7,202
b. Adjust revenues for weather - large volume and transportation.	-		50
c. Adjust revenues for firm sales service load changes.	4		52
d. Adjust revenues for firm transportation and sales service load changes.	5		23
e. Adjust revenues for basic transportation and sales service load changes.	6		11
f. Adjust basic transportation revenues to a normalized level of unauthorized use charges.	6		375
g. Adjust revenues for interruptible sales service load changes.	7	\$14	
h. Adjust revenues for the effect of the unrealized portion of customer changes through July, 2001.	8	1,001	
i. Increased revenues associated with weather mitigation plan.	-	3,586	
j. Adjust 12 months ended February 28, 2001 to billed basis revenues.	-		26,805
k. Adjust 12 months ended February 28, 2001 for gas supply incentive revenue and off-system sales.	-		34,621
l. Adjust revenues for insulation financing and EnergyWise program interest income.	-	190	
Total Adjustment to Operating Revenues			<u>\$64,348</u>

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended February 28, 2001

		(Thousands of Dollars)	
<u>Adjustment Number</u>	<u>Schedule</u>	<u>Increase</u>	<u>Decrease</u>
2. Natural Gas Supply Expense:			
a. Adjust 12 months ended February 28, 2001 to billed basis gas costs.	-		\$24,768
b. Adjust 12 months ended February 28, 2001 for gas supply incentive revenue and off system sales.	-		25,909
Total Adjustments to Natural Gas Supply Expense			<u>\$50,677</u>
3. Customer Accounts Expenses:			
a. Adjust the provision for uncollectible accounts.	9	\$2,546	
b. Adjust for increased postage expense and other mailing costs.	10	149	
c. Adjust for interest on customer deposits.	-	381	
Total Adjustment to Customer Accounts Expenses		<u>\$3,076</u>	
4. Administrative and General Expenses:			
a. Adjust FAS 87 expense to June 30, 2001 levels based on the current accounting policy.	11	\$2,165	
b. Adjust FAS 87 expense to June 30, 2001 levels based on the proposed change in accounting policy.	11	2,908	
c. Adjust FAS 88 expense to June 30, 2001 levels based on the current accounting policy.	11	1,989	
d. Adjust FAS 88 expense to June 30, 2001 levels based on the proposed change in accounting policy.	11	222	
e. Adjust FAS 106 expense to Fiscal 2001 levels based on current accounting policy.	12	28	

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
 Year Ended February 28, 2001

(Thousands of Dollars)

<u>Adjustment Number</u>	<u>Schedule</u>	<u>Increase</u>	<u>Decrease</u>
f. Adjust FAS 106 expense to Fiscal 2001 levels based on the proposed change in accounting policy.	12		\$66
g. Adjust for increased 401(k) and trustee fees.	13	\$319	
h. Adjust for medical insurance.	14	346	
i. Adjust for dental insurance.	14	75	
j. Adjust for vision care.	14	30	
k. Adjust for decreased Missouri Public Service Commission assessment.	14		96
l. Adjust for rent.	14	7	
m. Adjust for rate case expenses.	-	135	
n. Adjust injuries and damages to a payments basis.	-	106	
o. Adjust for elimination of dues and other expenses.	-		371
Total Adjustments to Administrative and General Expenses		<u>\$7,797</u>	
5. Wages and Salaries Applicable to Operation and Maintenance:			
Adjust wages and salaries to normalized levels.	15	<u>\$4,835</u>	

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended February 28, 2001

		(Thousands of Dollars)	
<u>Adjustment Number</u>	<u>Schedule</u>	<u>Increase</u>	<u>Decrease</u>
6. Miscellaneous Expense Adjustments:			
a. Adjust for moving sales personnel's salaries and associated expenses below-the-line.	16		\$20
b. Adjust for amortization of gas safety deferral.	17	\$417	
c. Adjust for copper survey expense.	17	925	
d. Adjust for costs related to continuation of the gas safety replacement program.	17	1,510	
e. Adjust to normalize the amounts included in the test year expense accounts relating to dollars charged from clearing accounts.	-	450	
f. Adjust for facility locates.	-	95	
g. Adjust for service initiation fee.	-		3,123
h. Adjust for service fee for Laclede Pipeline Company.	-	723	
i. Decreased revenue requirement related to the inventory carrying cost tariff.	-		6,171
j. Eliminate net appliance service revenue.	-	507	
Total Miscellaneous Adjustments			<u>\$4,687</u>
7. Depreciation and Amortization Expenses:			
Adjust for unrealized portion of expenses to reflect additional utility plant in service at July 31, 2001 and change in proposed depreciation rates.			
a. Depreciation	18	\$7,827	
b. Amortization	18	421	
Total Adjustments to Depreciation and Amortization Expenses		<u>\$8,248</u>	

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
 Year Ended February 28, 2001

(Thousands of Dollars)

<u>Adjustment Number</u>	<u>Schedule</u>	<u>Increase</u>	<u>Decrease</u>
8. Taxes Other Than Income Taxes:			
a. Adjust Property Taxes and Manufacturers' License expense to Calendar 2001 estimate and for the unrealized portion applicable to increased net utility plant at July 31, 2001.	19	\$676	
b. Adjust FICA Tax to reflect liability for normalized wages and salaries.	19	328	
c. Adjust State Unemployment Tax to reflect liability at new rates for normalized wages and salaries.	19	2	
d. Adjust for City of St. Louis Payroll Expense Tax on increased wages and salaries.	19	11	
e. Adjust for the effect of gross receipts tax related to timing differences.	-	1,278	
Total Adjustments to Taxes Other Than Income Taxes		<u>\$2,295</u>	
9. Income Taxes:			
Adjust Federal, State, and City Earnings income taxes for the effect of adjustments to revenues and expenses.	20		<u>\$11,661</u>

LACLEDE GAS COMPANY
Summary of
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

	Therm Adjustment (000)	Revenue Adjustment \$(000)
LACLEDE DIVISION		
Residential General	(34,729)	(4,394)
Commercial General	(11,687)	(1,401)
Small Industrial General	(1,987)	(239)
TOTAL	<u>(48,403)</u>	<u>(\$6,034)</u>
MISSOURI NATURAL DIVISION		
Residential General	(1,629)	(206)
Commercial General	(790)	(95)
Small Industrial General	(189)	(21)
TOTAL	<u>(2,608)</u>	<u>(\$322)</u>
ST. CHARLES DIVISION		
Residential General	(4,642)	(588)
Commercial General	(1,040)	(124)
Small Industrial General	(88)	(9)
TOTAL	<u>(5,770)</u>	<u>(\$721)</u>
MIDWEST MISSOURI DIVISION		
Residential General	(821)	(104)
Commercial General	(188)	(21)
Small Industrial General	(6)	0
TOTAL	<u>(1,015)</u>	<u>(\$125)</u>
COMBINED		
Residential General	(41,821)	(5,292)
Commercial General	(13,705)	(1,641)
Small Industrial General	(2,270)	(269)
TOTAL	<u>(57,796)</u>	<u>(\$7,202)</u>

LACLEDE GAS COMPANY
 Departure of Actual Degree Day Deficiency
 In Monthly Billing Cycles for 12 Months Ended February 28, 2001
 From Normal Degree Day Deficiency in Monthly Billing Cycles

<u>Billing Cycle Month</u>	<u>Normal Degree Day Deficiency</u>	<u>Actual Degree Day Deficiency</u>	<u>Difference In Degree Day Deficiency Warmer/(Colder)</u>
March '00	629	492	137
April	353	359	(6)
May	125	104	21
June	12	19	(7)
July	0	0	0
August	0	0	0
September	8	22	(14)
October	97	173	(76)
November	435	440	(5)
December	851	1,155	(304)
January '01	1,051	1,274	(223)
February	872	927	(55)
TOTAL	<u>4,433</u>	<u>4,965</u>	<u>(532)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 3 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: Laclede
Revenue Class: Residential
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	1,026.1	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>351.5</u>	
Use varying with degree days	674.6	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	0.136	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure From Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	18.632	482,634	8,992	0.12562	\$1,130
April	(6)	(0.816)	481,235	(393)	0.12562	(49)
May	21	2.856	478,458	1,366	0.13233	181
June	(7)	(0.952)	476,304	(453)	0.13233	(60)
July	0	0.000	474,607	0	0.13233	0
August	0	0.000	473,023	0	0.13233	0
September	(14)	(1.904)	472,084	(899)	0.13233	(119)
October	(76)	(10.336)	473,177	(4,891)	0.13233	(647)
November	(5)	(0.680)	475,694	(323)	0.12562	(41)
December	(304)	(41.344)	480,411	(19,862)	0.12562	(2,495)
January '01	(223)	(30.328)	482,970	(14,648)	0.12562	(1,840)
February	(55)	(7.480)	483,715	(3,618)	0.12562	(454)
Total	<u>(532)</u>	<u>(72.352)</u>		<u>(34,729)</u>		<u>(\$4,394)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 4 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: Laclede
Revenue Class: Commercial
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	5,616.1	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>1,965.9</u>	
Use varying with degree days	3,650.2	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	0.735	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure From Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	100.695	29,997	3,021	0.12362	\$373
April	(6)	(4.410)	29,871	(132)	0.12362	(16)
May	21	15.435	29,640	457	0.09778	45
June	(7)	(5.145)	29,498	(152)	0.09778	(15)
July	0	0.000	29,348	0	0.09778	0
August	0	0.000	29,255	0	0.09778	0
September	(14)	(10.290)	29,230	(301)	0.09778	(29)
October	(76)	(55.860)	29,323	(1,638)	0.09778	(160)
November	(5)	(3.675)	29,604	(109)	0.12362	(13)
December	(304)	(223.440)	29,910	(6,683)	0.12362	(826)
January '01	(223)	(163.905)	30,102	(4,934)	0.12362	(610)
February	(55)	(40.425)	30,082	(1,216)	0.12362	(150)
Total	<u>(532)</u>	<u>(391.020)</u>		<u>(11,687)</u>		<u>\$(1,401)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 5 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: Laclede
Revenue Class: Small Industrial
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	17,516.8	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>6,463.0</u>	
Use varying with degree days	11,053.8	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	2.226	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure From Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	304.962	1,699	518	0.12362	\$64
April	(6)	(13.356)	1,691	(23)	0.12362	(3)
May	21	46.746	1,681	79	0.09778	8
June	(7)	(15.582)	1,676	(26)	0.09778	(3)
July	0	0.000	1,672	0	0.09778	0
August	0	0.000	1,662	0	0.09778	0
September	(14)	(31.164)	1,658	(52)	0.09778	(5)
October	(76)	(169.176)	1,657	(280)	0.09778	(27)
November	(5)	(11.130)	1,667	(19)	0.12362	(2)
December	(304)	(676.704)	1,681	(1,138)	0.12362	(141)
January '01	(223)	(496.398)	1,690	(839)	0.12362	(104)
February	(55)	(122.430)	1,687	(207)	0.12362	(26)
Total	<u>(532)</u>	<u>(1,184.232)</u>		<u>(1,987)</u>		<u>(\$239)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 6 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: Missouri Natural
Revenue Class: Residential
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	797.0	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	234.9	
Use varying with degree days	562.1	Therms
Actual degree day deficiency	4,965	
Use per customer per degree day (U/C/DD)	0.113	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure from Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	15.481	27,085	419	0.12562	\$53
April	(6)	(0.678)	26,941	(18)	0.15818	(3)
May	21	2.373	26,667	63	0.13233	8
June	(7)	(0.791)	26,331	(21)	0.13233	(3)
July	0	0.000	26,142	0	0.13233	0
August	0	0.000	25,942	0	0.13233	0
September	(14)	(1.582)	25,918	(41)	0.13233	(5)
October	(76)	(8.588)	26,303	(226)	0.13233	(30)
November	(5)	(0.565)	26,701	(15)	0.12562	(2)
December	(304)	(34.352)	27,133	(932)	0.12562	(117)
January '01	(223)	(25.199)	27,288	(688)	0.12562	(86)
February	(55)	(6.215)	27,276	(170)	0.12562	(21)
Total	(532)	(60.116)		(1,629)		(\$206)

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 7 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: Missouri Natural
Revenue Class: Commercial
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	3,550.4	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>1,633.0</u>	
Use varying with degree days	1,917.4	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	0.386	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure from Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	52.882	3,819	202	0.12362	\$25
April	(6)	(2.316)	3,799	(9)	0.12362	(1)
May	21	8.106	3,707	30	0.09778	3
June	(7)	(2.702)	3,668	(10)	0.09778	(1)
July	0	0.000	3,651	0	0.09778	0
August	0	0.000	3,628	0	0.12062	0
September	(14)	(5.404)	3,614	(20)	0.09778	(2)
October	(76)	(29.336)	3,666	(108)	0.09778	(11)
November	(5)	(1.930)	3,761	(7)	0.12362	(1)
December	(304)	(117.344)	3,854	(452)	0.12362	(56)
January '01	(223)	(86.078)	3,882	(334)	0.12362	(41)
February	(55)	(21.230)	3,877	(82)	0.12362	(10)
Total	<u>(532)</u>	<u>(205.352)</u>		<u>(790)</u>		<u>(\$95)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 8 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: Missouri Natural
Revenue Class: Small Industrial
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	23,833.8	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>9,909.5</u>	
Use varying with degree days	13,924.3	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	2.804	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure from Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	384.148	122	47	0.12362	\$6
April	(6)	(16.824)	123	(2)	0.12362	0
May	21	58.884	122	7	0.09778	1
June	(7)	(19.628)	120	(2)	0.09778	0
July	0	0.000	119	0	0.09778	0
August	0	0.000	118	0	0.09778	0
September	(14)	(39.256)	118	(5)	0.09778	0
October	(76)	(213.104)	123	(26)	0.09778	(3)
November	(5)	(14.020)	124	(2)	0.12362	0
December	(304)	(852.416)	125	(107)	0.12362	(13)
January '01	(223)	(625.292)	126	(79)	0.12362	(10)
February	(55)	(154.220)	127	(20)	0.12362	(2)
Total	<u>(532)</u>	<u>(1,491.728)</u>		<u>(189)</u>		<u>(\$21)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 9 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: St. Charles
Revenue Class: Residential
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	868.2	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>297.3</u>	
Use varying with degree days	570.9	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	0.115	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure From Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	15.755	73,162	1,153	0.12562	\$145
April	(6)	(0.690)	73,415	(51)	0.15818	(8)
May	21	2.415	73,516	178	0.13233	24
June	(7)	(0.805)	73,591	(59)	0.13233	(8)
July	0	0.000	73,711	0	0.13233	0
August	0	0.000	73,830	0	0.13233	0
September	(14)	(1.610)	74,094	(119)	0.13233	(16)
October	(76)	(8.740)	74,461	(651)	0.13233	(86)
November	(5)	(0.575)	74,922	(43)	0.12562	(5)
December	(304)	(34.960)	75,307	(2,633)	0.12562	(331)
January '01	(223)	(25.645)	75,559	(1,938)	0.12562	(243)
February	(55)	(6.325)	75,728	(479)	0.12562	(60)
Total	<u>(532)</u>	<u>(61.180)</u>		<u>(4,642)</u>		<u>(\$588)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 10 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: St. Charles
Revenue Class: Commercial
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	4,507.9	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>2,075.2</u>	
Use varying with degree days	2,432.7	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	0.490	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure From Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	67.130	3,809	256	0.12362	\$32
April	(6)	(2.940)	3,802	(11)	0.12362	(1)
May	21	10.290	3,787	39	0.09778	4
June	(7)	(3.430)	3,762	(13)	0.09778	(1)
July	0	0.000	3,749	0	0.09778	0
August	0	0.000	3,734	0	0.09778	0
September	(14)	(6.860)	3,731	(26)	0.09778	(3)
October	(76)	(37.240)	3,789	(141)	0.09778	(14)
November	(5)	(2.450)	3,879	(10)	0.12362	(1)
December	(304)	(148.960)	3,956	(589)	0.12362	(73)
January '01	(223)	(109.270)	4,001	(437)	0.12362	(54)
February	(55)	(26.950)	4,014	(108)	0.12362	(13)
Total	<u>(532)</u>	<u>(260.680)</u>		<u>(1,040)</u>		<u>(\$124)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 11 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: St. Charles
Revenue Class: Small Industrial
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	42,307.7	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>20,895.6</u>	
Use varying with degree days	21,412.1	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	4.313	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure From Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	590.881	36	21	0.12362	\$3
April	(6)	(25.878)	36	(1)	0.12362	0
May	21	90.573	36	3	0.09778	0
June	(7)	(30.191)	36	(1)	0.09778	0
July	0	0.000	37	0	0.09778	0
August	0	0.000	37	0	0.09778	0
September	(14)	(60.382)	36	(2)	0.09778	0
October	(76)	(327.788)	37	(12)	0.09778	(1)
November	(5)	(21.565)	38	(1)	0.12362	0
December	(304)	(1,311.152)	38	(50)	0.12362	(6)
January '01	(223)	(961.799)	37	(36)	0.12362	(4)
February	(55)	(237.215)	39	(9)	0.12362	(1)
Total	<u>(532)</u>	<u>(2,294.516)</u>		<u>(88)</u>		<u>(\$9)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 12 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: Midwest Missouri
Revenue Class: Residential
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	775.1	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>288.4</u>	
Use varying with degree days	486.7	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	0.098	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure from Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	13.426	15,294	205	0.12562	\$26
April	(6)	(0.588)	15,302	(9)	0.15818	(1)
May	21	2.058	15,258	31	0.13233	4
June	(7)	(0.686)	15,267	(10)	0.13233	(1)
July	0	0.000	15,259	0	0.13233	0
August	0	0.000	15,294	0	0.13233	0
September	(14)	(1.372)	15,322	(21)	0.13233	(3)
October	(76)	(7.448)	15,414	(115)	0.13233	(15)
November	(5)	(0.490)	15,522	(8)	0.15818	(1)
December	(304)	(29.792)	15,644	(466)	0.12562	(59)
January '01	(223)	(21.854)	15,694	(343)	0.12562	(43)
February	(55)	(5.390)	15,708	(85)	0.12562	(11)
Total	<u>(532)</u>	<u>(52.136)</u>		<u>(821)</u>		<u>\$(104)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 3, Page 13 of 14

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: Midwest Missouri
Revenue Class: Commercial
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	4,070.0	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>1,925.4</u>	
Use varying with degree days	2,144.6	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	0.432	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure from Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	59.184	791	47	0.12362	\$6
April	(6)	(2.592)	790	(2)	0.12362	0
May	21	9.072	776	7	0.09778	1
June	(7)	(3.024)	775	(2)	0.09778	0
July	0	0.000	774	0	0.09778	0
August	0	0.000	770	0	0.09778	0
September	(14)	(6.048)	769	(5)	0.09778	0
October	(76)	(32.832)	782	(26)	0.09778	(3)
November	(5)	(2.160)	797	(2)	0.12362	0
December	(304)	(131.328)	810	(106)	0.12362	(13)
January '01	(223)	(96.336)	816	(79)	0.12362	(10)
February	(55)	(23.760)	837	(20)	0.12362	(2)
Total	<u>(532)</u>	<u>(229.824)</u>		<u>(188)</u>		<u>(\$21)</u>

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues For
12 Months Ended February 28, 2001 for Departure of
Actual Degree Day Deficiency (4,965) from Normal (4,433)

Division: Midwest Missouri
Revenue Class: Small Industrial
Rate: General

Calculation of Use per Customer per Degree Day Deficiency

Average annual use per customer	18,345.0	Therms
Use not varying with degree days (July 2000 & August 2000 x 6 x 135%)	<u>1,622.4</u>	
Use varying with degree days	16,722.6	Therms
Actual degree day deficiency	<u>4,965</u>	
Use per customer per degree day (U/C/DD)	3.368	Therms

Calculation of Effect of Weather Departure from Average on Sales and Revenues

Billing Month	(1) Degree Day Departure from Normal Average	(2) Adjustment to Use per Cust. Due to Weather Variation (Col. 1 x U/C/DD)	(3) Number of Customers	(4) Adjustment to Therm Sales (Col 2 x Col 3) (000)	(5) Base Rate per Therm	(6) Adjustment to Revenue (Col 4 x Col 5) \$(000)
March '00	137	461.416	3	1	0.12362	\$0
April	(6)	(20.208)	3	0	0.12362	0
May	21	70.728	3	0	0.09778	0
June	(7)	(23.576)	3	0	0.09778	0
July	0	0.000	3	0	0.09778	0
August	0	0.000	3	0	0.12062	0
September	(14)	(47.152)	3	0	0.12062	0
October	(76)	(255.968)	3	(1)	0.09778	0
November	(5)	(16.840)	3	0	0.12362	0
December	(304)	(1,023.872)	3	(3)	0.12362	0
January '01	(223)	(751.064)	3	(2)	0.12362	0
February	(55)	(185.240)	3	(1)	0.12362	0
Total	<u>(532)</u>	<u>(1,791.776)</u>		<u>(6)</u>		<u>0</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 4, Page 1 of 1

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues for
Firm Sales Service Load Changes

<u>Known Changes</u>	<u>Therm Adjustment (000)</u>	<u>Revenue Adjustment \$(000)</u>
Large Volume	(638)	(\$57)
General	11	6
Large Volume Transportation and Sales	(92)	(1)
Total Adjustment to July, 2001 Levels	<u>(719)</u>	<u>(\$52)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 5, Page 1 of 1

LACLEDE GAS COMPANY
Adjustment of Volumes and Revenues for
Firm Transportation and Sales Service Load Changes

	Transportation Therm Adjustment (000)	Revenue Adjustment \$(000)
Known Changes	(14)	(\$23)

LACLEDE GAS COMPANY
Adjustment of Volumes and Revenues for
Basic Transportation and Sales Service Load Changes

	Transportation Therm Adjustment (000)	Revenue Adjustment \$(000)
Known Changes	<u>250</u>	<u>(\$11)</u>
Adjustment to Normal Days of Limitation		<u>(\$375)</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 7, Page 1 of 1

LACLEDE GAS COMPANY
Adjustment of Sales and Revenues for
Interruptible Sales Service Load Changes

	Therm Adjustment (000)	Revenue Adjustment \$(000)
Known Changes	<u>113</u>	<u>\$14</u>

LACLEDE GAS COMPANY

Revenue Adjustment for Effect of Unrealized Portion
of Customer Changes Through July, 2001

	Therm Adjustment (000)	Revenue Adjustment \$(000)
Adjustment for Unrealized Portion of Customer Changes Through July, 2001.		
Residential	2,367	\$825
Commercial	1,003	\$176
	<u>3,370</u>	<u>\$1,001</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 9, Page 1 of 1

LACLEDE GAS COMPANY
Customer Accounts Expense

Uncollectible Accounts Provision

(Thousands of Dollars)

Twelve months ended February 28, 2001 net revenues*				\$694,493
Normalization and annualization adjustments			General Rate Increase	
	Revenue at <u>Base Rates</u>	PGA <u>Revenue</u>	<u>Revenue</u>	
Weather	(\$7,202)	(\$34,253)		
General Rate Load Changes	6	7		
Customers Annualized	1,001	1,997		
Total	<u>(\$6,195)</u>	<u>(\$32,249)</u>	<u>\$39,782</u>	<u>1,338</u>
Twelve months ended February, 2001 normalized and annualized net revenues**				\$695,831
Percentage Loss Factor			x	1.329%
Normalized uncollectible accounts				<u>\$9,248</u>
Twelve months ended February, 2001 actual uncollectible accounts provision				<u>6,702</u>
Adjustment				<u>\$2,546</u>

* Excludes Large Volume sales

** Net revenues equal customer revenues less Large Volume sales service revenues, Interruptible sales service revenues, Transportation and sales service revenues, provisions for refunds, and gross receipts taxes, adjusted to average PGA levels.

LACLEDE GAS COMPANY
Adjustments to Customer Accounts Expense

(Thousands of Dollars)

Increased Postage Expense and Other Mailing Costs

Increased Postage Resulting From Customer Growth	\$9	
Increased Postage Resulting From Increased Postal Rates	37	
Increased Postage Resulting From Return Address Mailing Labels	<u>103</u>	
Total Increased Postage and Other Mailing Costs		<u><u>\$149</u></u>

LACLEDE GAS COMPANY
Adjustment to Administrative and General Expense
Applicable to Operation and Maintenance

(Thousands of Dollars)

Pension Expense - FAS 87

Actual Expense, Twelve Months Ended February 28, 2001	(\$5,705)	
FAS 87 Expense at June 30, 2001 Based on Current Accounting Policy.	<u>(3,540)</u>	
Net Increase		<u>\$2,165</u>
FAS 87 Expense at June 30, 2001 Based on Current Accounting Policy.	(\$3,540)	
FAS 87 Expense at June 30, 2001 Based on Proposed Change in Accounting Policy.	<u>(632)</u>	
Net Increase		<u>\$2,908</u>

Pension Expense - FAS 88

Actual Expense, Twelve Months Ended February 28, 2001	(\$2,211)	
FAS 88 Expense at June 30, 2001 Based on Current Accounting Policy.	<u>(222)</u>	
Net Increase		<u>\$1,989</u>
FAS 88 Expense at June 30, 2001 Based on Current Accounting Policy.	(\$222)	
FAS 88 Expense at June 30, 2001 Based on Proposed Change in Accounting Policy.	<u>0</u>	
Net Increase		<u>\$222</u>

LACLEDE GAS COMPANY
Adjustment to Administrative and General Expense
Applicable to Operation and Maintenance

(Thousands of Dollars)

Other Postretirement Benefits Expenses (FAS 106)

Actual Expense, Twelve Months Ended February 28, 2001	\$4,617	
FAS 106 Expense at Fiscal 2001 Based on Current Accounting Policy.	<u>4,645</u>	
Net Increase		<u>\$28</u>
 FAS 106 Expense at Fiscal 2001 Based on Current Accounting Policy.	 \$4,645	
FAS 106 Expense at Fiscal 2001 Based on Proposed Change in Accounting Policy.	<u>4,579</u>	
Net Decrease		<u>(\$66)</u>

LACLEDE GAS COMPANY
Adjustment to Administrative and General Expense
Applicable to Operation and Maintenance

(Thousands of Dollars)

Company 401(k) Contributions

Annualized Expense	\$2,523	
Actual Expense, 12 Months Ended February 28, 2001	<u>2,232</u>	
Increase		<u>\$291</u>

Pension Plan Trustee Fees

Annualized Expense	\$606	
Actual Expense, 12 Months Ended February 28, 2001	<u>578</u>	
Increase		<u>\$28</u>

Total Adjustment		<u>\$319</u>
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LACLEDE GAS COMPANY
Adjustments to Administrative and General Expense
Applicable to Operation and Maintenance

(Thousands of Dollars)

Medical (Active Employees Only)

Normalized	\$7,967	
12 Months Ended February 28, 2001	<u>7,621</u>	
Adjustment		<u><u>\$346</u></u>

Dental Insurance

Normalized	\$1,207	
12 Months Ended February 28, 2001	<u>1,132</u>	
Adjustment		<u><u>\$75</u></u>

Vision Care

Normalized	\$349	
12 Months Ended February 28, 2001	<u>319</u>	
Adjustment		<u><u>\$30</u></u>

Regulatory Commission Expense

M.P.S.C. Assessment:		
Annual Assessment Commencing July 1, 2000	\$1,536	
12 Months Ended February 28, 2001	<u>1,632</u>	
Adjustment		<u><u>(\$96)</u></u>

Rent

Normalized	\$804	
12 Months Ended February 28, 2001	<u>797</u>	
Adjustment		<u><u>\$7</u></u>

LACLEDE GAS COMPANY
Adjustment to Wages and Salaries
Applicable to Operation and Maintenance

(Thousands of Dollars)

Contract Wages

Laclede Division Contract Wages Charged to Operation and Maintenance, 12 months ended February 28, 2001	\$52,166	
Laclede Division Contract Wages Charged to Operation and Maintenance, at normalized levels	<u>54,974</u>	
Adjustment to normalized levels		\$2,808
Missouri Natural Division Contract Wages Charged to Operation and Maintenance, 12 months ended February 28, 2001	\$3,242	
Missouri Natural Division Contract Wages Charged to Operation and Maintenance at normalized levels	<u>3,412</u>	
Adjustment to normalized levels		<u>170</u>
Contract Wages Adjustment		\$2,978

Management Salaries

Laclede Division Management Salaries Charged to Operation and Maintenance, 12 months ended February 28, 2001	\$18,919	
Laclede Division Management Salaries Charged to Operation and Maintenance at normalized levels	<u>20,708</u>	
Adjustment to normalized levels		\$1,789
Missouri Natural Division Salaries Charged to Operation and Maintenance, 12 months ended February 28, 2001	\$1,968	
Missouri Natural Division Salaries Charged to Operation and Maintenance at normalized levels	<u>2,036</u>	
Adjustment to normalized levels		<u>68</u>
Management Salaries Adjustment		<u>1,857</u>
Total Adjustment		<u><u>\$4,835</u></u>

LACLEDE GAS COMPANY
Miscellaneous Expense Adjustments

(Thousands of Dollars)

Merchandise Sales Personnel's Salaries

To adjust test period to move merchandise sales personnel's salaries
and associated expenses below-the-line.

Salaries	(\$18)	
Associated expenses	<u>(2)</u>	
Adjustment		<u><u>(\$20)</u></u>

LACLEDE GAS COMPANY
 Miscellaneous Expense Adjustments

(Thousands of Dollars)

Gas Safety Deferral

Estimated Gas Safety Deferral Balance - July 31, 2001	\$2,871	
Amortization Period (in Years)	<u>5</u>	
Gas Safety Amortization Adjustment		574
Offset by Plant Maintenance Savings		<u>(157)</u>
Total Amortization of Gas Safety Deferral		<u>\$417</u>

Copper Survey Expense

Actual Expense - 12 Months Ended February 28, 2001	<u>\$925</u>
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Costs Related to Continuation of the Gas Safety Replacement Program

Annual Expense	<u>\$1,510</u>
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LACLEDE GAS COMPANY
 Annualized Depreciation & Amortization Expense Adjustment
 Based on Estimated Gross Plant at July 31, 2001

(Thousands of Dollars)

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
Annualized Expense	\$29,658	\$4,320	\$33,978
12 Months Ended February 28, 2001	<u>21,831</u>	<u>3,899</u>	<u>25,730</u>
Adjustment	<u>\$7,827</u>	<u>\$421</u>	<u>\$8,248</u>

LACLEDE GAS COMPANY
Adjustment to Taxes Other Than Income Taxes

(Thousands of Dollars)

Property Taxes and Manufacturers' License Expense - Calendar 2001 Estimate

Property Taxes

12 Months Ended February 28, 2001 Missouri Property Taxes Expense	\$12,348	
Calendar Year 2001 Estimated Missouri Property Taxes	<u>12,453</u>	
Increase		\$105
12 Months Ended February 28, 2001 Louisiana Property Tax	(\$390)	
Calendar Year 2001 Normalized Louisiana Property Tax	<u>0</u>	
Increase		390

Property Taxes and Manufacturers' License Expense - Increased Plant

Net Plant at January 1, 2001	\$545,239	
Estimated Net Plant at July 31, 2001	<u>552,870</u>	
Increase in Net Plant	\$7,631	
Estimated Assessed Valuation as Percent of Net Plant at July 31, 2001	<u>29.48%</u>	
Increased Valuation	\$2,250	
Calendar Year 2000 Average Tax Rate per \$100 Valuation	<u>\$8.0501 /\$100</u>	
Increase		<u>181</u>
Adjustment		<u>\$676</u>

LACLEDE GAS COMPANY
Adjustment to Taxes Other Than Income Taxes

(Thousands of Dollars)

Federal Insurance Contribution Act (F.I.C.A.)

F.I.C.A. Expensed - Twelve Months Ended February 28, 2001	\$5,807	
Pro Forma F.I.C.A. Expense on Estimated Taxable Base of \$80,400 for OASDI portion.	6,135	
Adjustment		<u>\$328</u>

Unemployment Taxes

State Unemployment Taxes Expense - Twelve Months Ended February 28, 2001	\$87	
Pro Forma State Unemployment Taxes On Taxable Base of \$7,000 and a 0.80% Contribution Rate	89	
Adjustment		<u>\$2</u>

City of St. Louis Payroll Expense Tax (P.E.T.)

P.E.T. Expensed - Twelve Months Ended February 28, 2001	\$185	
Pro Forma P.E.T. Expense on Increased Wages	196	
Adjustment		<u>\$11</u>

LACLEDE GAS COMPANY
Calculation Of Taxable Income For Utility Operations

<u>Description</u>	(Thousands of Dollars)
Operating revenues	\$779,624
Operating expenses	<u>(735,143)</u>
Net operating income before income taxes	\$44,481
Add:	
Contributions in aid of construction	\$639
Tax depreciation in excess of book depreciation	3,027
Miscellaneous non-deductible expenses	412
Inventory overheads capitalized	581
Safety Replacement Program expenditures	236
Surveys	395
Bond premium amortization	<u>181</u>
Total Additions	5,471
Deduct:	
Administrative and general expenses capitalized	(\$946)
Transfer of services	(1,046)
Pension accrual	(5,999)
Deductible cost of removal	(305)
Deductible interest	<u>(23,840)</u>
Total Deductions	<u>(32,136)</u>
Taxable income	<u><u>\$17,816</u></u>

LACLEDE GAS COMPANY
Calculation Of Taxable Income For Utility Operations

<u>Description</u>	(Thousands of Dollars)
<u>City income tax</u>	
Taxable income	\$17,816
City income tax rate	0.37%
	<u>\$66</u>
City income tax credit	(16)
Total city income tax	<u>\$50</u>
 <u>State income tax</u>	
Taxable income	\$17,816
Less: City income tax	(50)
Federal income tax	<u>(2,947)</u>
State taxable income	\$14,819
State income tax rate	6.25%
State income tax	<u>\$926</u>
 <u>Federal income tax</u>	
Taxable income	\$17,816
Less: City income tax	(50)
State income tax	<u>(926)</u>
Federal taxable income	\$16,840
Federal income tax rate	35.0%
Federal income tax	<u>\$5,894</u>

Laclede Gas Company
Mo. PSC Case No. GR-2001-629
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS
Schedule 20, Page 3 of 3

LACLEDE GAS COMPANY
Taxes Chargeable to Operations

<u>Description</u>	(Thousands of Dollars)
<u>Current provision</u>	
Federal	\$5,894
State	926
Municipal	<u>50</u>
Total current provision	\$6,870
 Deferred income tax provision	 1,327
 Investment tax credit adjustment	 <u>(321)</u>
 Total income taxes	 <u><u>\$7,876</u></u>

LACLEDE GAS COMPANY
DEPRECIATION RATE SCHEDULE

Plant Account	Description	Depreciable Balance 7/31/01	Current Depreciation Rates	Proposed Depreciation Rates	Annual Change in Depreciation Expense
301.00	Organization - St. Charles	\$0	N/A	N/A	\$0
.70	Organization - MoNat	0	N/A	N/A	0
.80	Organization - Franklin County	0	N/A	N/A	0
.90	Organization - Midwest	0	N/A	N/A	0
302.00	Franchises and consents	0	N/A	N/A	0
.90	Franchises and consents - Midwest	0	N/A	N/A	0
304.00	Land and Land Rights	0	N/A	N/A	0
305.00	Structures and Improvements	0	N/A	N/A	0
307.00	Other Power Equipment	120,549	2.63%	2.63%	0
311.00	Liquefied Petroleum Gas Equipment	2,908,396	3.23%	3.23%	0
.10	Liquefied Petroleum Gas Storage Cavern	4,804,094	1.00%	1.00%	0
350.10	Land	0	N/A	N/A	0
.20	Rights-of-way	0	N/A	N/A	0
351.20	Compressor Station Structures	568,174	3.13%	3.13%	0
.40	Other Structures	827,231	1.98%	1.98%	0
352.00	Wells	5,878,140	1.17%	1.17%	0
.10	Storage	0	N/A	N/A	0
.20	Reservoirs	245,023	1.27%	1.27%	0
.30	Non-Recoverable Natural Gas	0	N/A	N/A	0
.40	Wells - Oil and Vent Gas	650,359	3.08%	3.08%	0
353.00	Lines	2,377,723	1.50%	1.50%	0
354.00	Compressor Station Equipment	2,400,164	2.04%	2.04%	0
355.00	Measuring and Regulating Equipment	1,808,771	2.66%	2.66%	0
356.00	Purification Equipment	270,025	2.58%	2.58%	0
357.00	Other Equipment	47,000	2.36%	2.36%	0
360.00	Land and Land Rights	0	N/A	N/A	0
361.00	Structures and Improvements	273,344	22.20% *	22.20% *	0
362.00	Gas Holders	1,909,244	0.00%	0.00%	0

* Depreciation rate calculated using remaining life of 10 years.

LACLEDE GAS COMPANY
DEPRECIATION RATE SCHEDULE

Plant Account	Description	Depreciable Balance 7/31/01	Current Depreciation Rates	Proposed Depreciation Rates	Annual Change in Depreciation Expense
363.30	Compressor Equipment	\$0	N/A	N/A	\$0
365.72	Rights of Way - MoNat	N/A	N/A	N/A	0
367.70	Mains - Transmission - MoNat	2,022,649	1.28%	1.28%	0
371.70	Other Equipment - Transmission - MoNat	0	N/A	N/A	0
374.00	Land and Land Rights	N/A	N/A	N/A	0
.10	Land and Land Rights - St. Charles	N/A	N/A	N/A	0
.70	Land and Land Rights - MoNat	N/A	N/A	N/A	0
.80	Land and Land Rights - Franklin County	N/A	N/A	N/A	0
.90	Land and Land Rights - Midwest	N/A	N/A	N/A	0
375.10	Structures & Improvements - Distr. - Meas. & Reg. Stations	189,860	1.11%	1.11%	0
.20	Structures & Improvements - Distr. -Svc. Centers & Storerooms	5,937,200	1.45%	1.45%	0
.30	Structures & Improvements - Distr. - Garages	638,470	1.64%	1.64%	0
.40	Structures & Improvements - Distr. - St. Charles	37,807	2.00%	2.00%	0
.41	Structures & Improvements - Leased Property - St. Charles	N/A	N/A	N/A	0
.70	Structures & Improvements - MoNat	61,488	2.00%	2.00%	0
.80	Structures & Improvements - MoNat-Franklin County	0	2.00%	2.00%	0
.81	Structures & Improvements - Leased Property - Franklin County	N/A	N/A	N/A	0
.90	Structures & Improvements - Midwest	0	2.00%	2.00%	0
376.10	Mains - Steel	135,852,628	1.28%	1.72%	597,752
.11	Mains - Steel - St. Charles	27,516,896	1.28%	1.72%	121,074
.20	Mains - Cast Iron	14,895,657	2.43%	2.43%	0
.21	Mains - Cast Iron - St. Charles	47	2.43%	2.43%	0
.30	Mains - Plastic	91,108,168	1.91%	2.55%	583,092
.31	Mains - Plastic - St. Charles	27,641,295	1.91%	2.55%	176,904
.70	Mains - Steel - MoNat	10,357,723	1.28%	1.72%	45,574
.72	Mains - Cast Iron - MoNat	0	2.43%	2.43%	0
.73	Mains - Plastic - MoNat	4,259,321	1.91%	2.55%	27,260
.80	Mains - Steel - Franklin County	10,230,485	1.28%	1.72%	45,014
.83	Mains - Plastic - Franklin County	8,538,445	1.91%	2.55%	54,646
.90	Mains - Steel - Midwest	4,882,984	1.28%	1.72%	21,485
.93	Mains - Plastic - Midwest	7,073,526	1.91%	2.55%	45,271

LACLEDE GAS COMPANY
DEPRECIATION RATE SCHEDULE

Plant Account	Description	Depreciable Balance 7/31/01	Current Depreciation Rates	Proposed Depreciation Rates	Annual Change in Depreciation Expense
378.00	Measuring & Regulating Station Equipment - General	\$4,371,734	3.69%	3.69%	\$0
.10	Measuring & Regulating Station Equipment - Distribution - St. Charles	577,049	3.69%	3.69%	0
.70	Measuring & Regulating Station Equipment - MoNat	190,892	3.69%	3.69%	0
.80	Measuring & Regulating Station Equipment - Franklin County	117,449	3.69%	3.69%	0
.90	Measuring & Regulating Station Equipment - Midwest	31,627	3.69%	3.69%	0
379.00	Measuring & Regulating Station Equipment - City Gate Check Stations	1,330,320	2.26%	2.26%	0
.10	Meas. & Reg. Station Equip. - City Gate Check Stations - St. Charles	535,007	2.26%	2.26%	0
.70	Meas. & Reg. Station Equip. - City Gate Check Stations - MoNat	101,728	2.26%	2.26%	0
.80	Meas. & Reg. Station Equip. - City Gate Check Stations - Franklin Co.	0	2.26%	2.26%	0
.90	Meas. & Reg. Station Equip. - City Gate Check Stations - Midwest	212,431	2.26%	2.26%	0
380.10	Services - Steel	31,073,015	3.55%	4.67%	348,018
.11	Services - Steel - St. Charles	3,144,954	3.55%	4.67%	35,223
.20	Services - Plastic & Copper	217,519,524	2.61%	4.39%	3,871,848
.21	Services - Plastic & Copper - St. Charles	40,428,802	2.61%	4.39%	719,633
.70	Services - Steel - MoNat	4,568,488	3.55%	4.67%	51,167
.72	Services - Plastic & Copper - MoNat	3,561,940	2.61%	4.39%	63,403
.80	Services - Steel - Franklin County	61,910	3.55%	4.67%	693
.82	Services - Plastic & Copper - Franklin County	2,608,383	2.61%	4.39%	46,429
.90	Services - Steel - Midwest	91,586	3.55%	4.67%	1,026
.92	Services - Plastic & Copper - Midwest	9,867,010	2.61%	4.39%	175,633
381.00	Meters	100,606,273	2.83%	2.83%	0
.10	Meters - St. Charles	9,594,078	2.83%	2.83%	0
.70	Meters - MoNat	5,829,352	2.83%	2.83%	0
.80	Meters - Franklin County	858,228	2.83%	2.83%	0
.90	Meters - Midwest	1,596,308	2.83%	2.83%	0
383.00	House Regulators	13,899,658	2.44%	2.44%	0
.10	House Regulators - St. Charles	898,431	2.44%	2.44%	0
.70	House Regulators - MoNat	1,023,997	2.44%	2.44%	0
.80	House Regulators - Franklin County	181,759	2.44%	2.44%	0
.90	House Regulators - Midwest	476,850	2.44%	2.44%	0
385.00	Commercial & Industrial Measuring & Regulating Station Equipment	6,658,274	3.85%	3.85%	0
.10	Industrial Measuring & Regulating Equipment - St. Charles	847,508	3.85%	3.85%	0
.70	Industrial Measuring & Regulating Equipment - MoNat	276,479	3.85%	3.85%	0
.80	Industrial Measuring & Regulating Equipment - Franklin County	136,250	3.85%	3.85%	0
.90	Industrial Measuring & Regulating Equipment - Midwest	54,497	3.85%	3.85%	0

LACLEDE GAS COMPANY
DEPRECIATION RATE SCHEDULE

Plant Account	Description	Depreciable Balance 7/31/01	Current Depreciation Rates	Proposed Depreciation Rates	Annual Change in Depreciation Expense
386.10	Other Property on Customers' Premises LP Gas Systems	\$0	N/A	N/A	\$0
.20	Other Property on Customers' Premises - St. Charles	0	18.86%	18.86%	0
.80	Other Property on Customers' Premises - Franklin County	0	18.86%	18.86%	0
.90	Other Property on Customers' Premises - Midwest	0	N/A	N/A	0
387.00	Other Equipment	246,628	10.92%	10.92%	0
.10	Other Equipment - St. Charles	17,510	10.92%	10.92%	0
.70	Other Equipment - MoNat	12,628	10.92%	10.92%	0
.80	Other Equipment - Franklin County	0	10.92%	10.92%	0
.90	Other Equipment - Midwest	751	10.92%	10.92%	0
389.70	Land & Land Rights	N/A	N/A	N/A	0
390.10	Structures and Improvements - Leased General Office	N/A	N/A	N/A	0
.20	Structures and Improvements - St. Charles	0	2.00%	2.00%	0
.30	Structures and Improvements - Leased Property - St. Charles	N/A	N/A	N/A	0
.70	Structures and Improvements - MoNat	324,289	2.00%	2.00%	0
.71	Structures and Improvements - Leased Property - MoNat	N/A	N/A	N/A	0
.80	Structures and Improvements - Franklin County	12,554	2.00%	2.00%	0
.81	Structures and Improvements - Leased Property - Franklin County	N/A	N/A	N/A	0
.90	Structures and Improvements - Midwest	15,800	2.00%	2.00%	0
391.00	Office Furniture & Equipment	2,891,193	3.23%	3.23%	0
.10	Data Processing Systems	N/A	N/A	N/A	0
.11	Data Processing Systems	9,612,477	10.00%	10.00%	0
.12	Office Furniture & Equipment - St. Charles	43,033	3.23%	3.23%	0
.13	Data Processing Systems - St. Charles	51,210	10.00%	10.00%	0
.20	Mechanical Office Equipment	452,288	9.67%	9.67%	0
.21	Mechanical Office Equipment - St. Charles	4,248	9.67%	9.67%	0
.30	Data Processing Software	N/A	N/A	N/A	0
.70	Office Furniture & Equipment - MoNat	92,533	3.23%	3.23%	0
.71	Data Processing Systems - MoNat	173,286	10.00%	10.00%	0
.72	Mechanical Office Equipment - MoNat	0	N/A	N/A	0
.80	Office Furniture & Equipment - Franklin County	15,092	3.23%	3.23%	0
.81	Data Processing Systems - Franklin County	8,943	10.00%	10.00%	0
.82	Mechanical Office Equipment - Franklin County	7,982	9.67%	9.67%	0
.90	Office Furniture & Equipment - Midwest	4,013	3.23%	3.23%	0
.91	Data Processing Systems - Midwest	19,054	10.00%	10.00%	0
.92	Mechanical Office Equipment - Midwest	1,804	9.67%	9.67%	0

LACLEDE GAS COMPANY
DEPRECIATION RATE SCHEDULE

Plant Account	Description	Depreciable Balance 7/31/01	Current Depreciation Rates	Proposed Depreciation Rates	Annual Change in Depreciation Expense
392.10	Transportation Equipment - Automobiles	\$4,013,677	15.17%	15.17%	\$0
.20	Transportation Equipment - Trucks	11,631,185	8.63%	8.63%	0
.70	Transportation Equipment - Automobiles - MoNat	427,151	15.17%	15.17%	0
.71	Transportation Equipment - Trucks - MoNat	2,424,660	8.63%	8.63%	0
.90	Transportation Equipment - Automobiles - Midwest	0	15.17%	15.17%	0
.91	Transportation Equipment - Trucks - Midwest	0	8.63%	8.63%	0
393.00	Stores Equipment	300,856	2.54%	2.54%	0
.10	Stores Equipment - St. Charles	0	2.54%	2.54%	0
.70	Stores Equipment - MoNat	34,528	2.54%	2.54%	0
.80	Stores Equipment - Franklin County	0	2.54%	2.54%	0
.90	Stores Equipment - Midwest	78	2.54%	2.54%	0
394.00	Tools, Shop and Garage Equipment	7,463,815	2.36%	2.36%	0
.10	Tools, Shop and Garage Equipment - St. Charles	9,039	2.36%	2.36%	0
.70	Tools, Shop and Garage Equipment - MoNat	408,678	2.36%	2.36%	0
.80	Tools, Shop and Garage Equipment - Franklin County	52,652	2.36%	2.36%	0
.90	Tools, Shop and Garage Equipment - Midwest	5,747	2.36%	2.36%	0
395.00	Laboratory Equipment	226,550	4.55%	4.55%	0
.10	Laboratory Equipment - St. Charles	0	4.55%	4.55%	0
.70	Laboratory Equipment - MoNat	412	4.55%	4.55%	0
.80	Laboratory Equipment - Franklin County	0	4.55%	4.55%	0
396.00	Power Operated Equipment	11,045,085	7.80%	7.80%	0
.10	Power Operated Equipment - Trucks	4,374,919	8.16%	8.16%	0
.70	Power Operated Equipment - MoNat	808,944	7.80%	7.80%	0
.71	Power Operated Equipment - Trucks - MoNat	0	8.16%	8.16%	0
397.00	Communication Equipment	1,638,373	6.21%	6.21%	0
.10	Communication Equipment - St. Charles	18,690	6.21%	6.21%	0
.70	Communication Equipment - MoNat	142,699	6.21%	6.21%	0
.80	Communication Equipment - Franklin County	25,412	6.21%	6.21%	0
.90	Communication Equipment - Midwest	14,896	6.21%	6.21%	0
398.00	Miscellaneous Equipment	413,508	3.73%	3.73%	0
.10	Miscellaneous Equipment - St. Charles	2,128	3.73%	3.73%	0
.70	Miscellaneous Equipment - MoNat	7,617	3.73%	3.73%	0
.80	Miscellaneous Equipment - Franklin County	688	3.73%	3.73%	0
.90	Miscellaneous Equipment - Midwest	187	3.73%	3.73%	0
Total		<u>\$899,164,167</u>			<u>\$7,031,144</u>

Rate of Return on Original Cost Rate Base
And Related Return on Common Equity
(Thousands of Dollars)

1. Rate of Return at Proposed Rates on Original Cost Rate Base

Normalized Utility Operating Income (Section C, Sch. 1)		\$36,605
Proposed Rate Increase	\$39,782	
Less: Income Taxes Associated with Increased Revenues	<u>15,370</u>	
Increase in Utility Operating Income from Proposed Rate Increase		<u>24,412</u>
Pro Forma Utility Operating Income at Proposed Rates		61,017
Original Cost Rate Base (Section A, Sch. 1)		<u>644,323</u>
Rate of Return at Proposed Rates on Original Cost Rate Base		<u>9.47%</u>

2. Related Return on Common Equity

	Capitalization Ratios (%) (Section B, Sch. 1, P. 1)	Cost (%)	Weighted Cost (%)
Long Term Debt	40.8%	7.70%	3.14%
Short Term Debt	8.8%	6.31%	0.56%
Preferred Stock	0.3%	4.96%	0.01%
Subtotal			<u>3.71%</u>
Common Equity	50.1%	<u>11.50%</u>	<u>5.76%</u>
Rate of Return at Proposed Rate on Original Cost Rate Base			<u>9.47%</u>

*The 11.50% was calculated as follows: Rate of Return (9.47%) less weighted Cost of Long Term Debt, Short Term Debt and Preferred Stock (3.71%) equals 5.76%. This divided by the Common Equity Ratio of 50.1% gives a return on common equity of 11.50% related to the Original Cost Rate Base shown in Section A, Schedule 1. This rate of return on common equity is only applicable when applied to the Original Cost Rate Base.