

Company's corresponding ability to raise equity and debt capital on favorable terms; (2) make possible a broadened ownership of Laclede's Common Shares by increasing the number thereof outstanding and available to the general public; and (3) provide the financial resources necessary to meet the Company's public utility obligations.

In its application, Laclede states that the additional Common Shares proposed to be issued will be sold through underwriters and the form of the subsequent Underwriting Agreement will be filed with the Commission.

On January 4, 1999, the Staff of the Commission (Staff) filed its memorandum. In that memorandum, the Staff states that Laclede has a current credit rating of "A" from Standard & Poor's Corporation. Laclede's current capital structure consists of 33.53 percent long-term debt, 18.43 percent short-term debt, 47.67 percent common equity, and 0.37 percent preferred stock. According to Laclede's pro forma financial statements, the effect of issuing \$29,423,000 in equity and \$25,000,000 in long-term debt will have only a slight effect on Laclede's capital structure. Staff notes that the long-term debt that the Company is reflecting in its pro forma financial statements has previously been approved by the Commission in Case No. GF-97-302.

The Staff adds that Laclede's pre-tax interest coverage ratio (earnings before interest and taxes, divided by interest) and funds flow interest coverage ratio (funds from operations plus interest, divided by interest) both exceed Standard & Poor's Corporation's financial medians for an "A"-rated gas distribution utility, currently and on a pro forma

basis. Laclede's funds from operations to total debt ratio will also fall into the range of an "A"-rated gas distribution company on a pro forma basis.

The Staff points out that by approving the application, the Commission is also approving the issuance of the Rights that accompany all of the additional Common Shares, and the ability of Laclede to issue and sell any additional Common Shares that are issuable upon exercise of those Rights. According to Staff, the purpose of the issuance of Rights as authorized by the Commission in Case No. GF-96-309, is to discourage a hostile takeover of the Company's stock by flooding the market with new shares of common stock.

Based on its review, the Staff recommends that the Commission approve the application submitted by Laclede to issue and sell up to 1,250,000 shares of common stock over the next two years. Staff requests that Laclede be required to file all documentation relating to the common stock issuance and sale with the Commission.

The Commission has reviewed the Laclede application, the accompanying documents and the Staff's recommendation, and the Commission finds the proposed issuance and sale of Common Shares by Laclede to be in the public interest. The Commission will therefore approve the application.

IT IS THEREFORE ORDERED:

1. That Laclede Gas Company is hereby authorized, between the effective date of this order and January 1, 2001, to issue and sell up

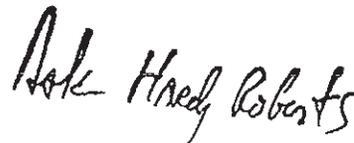
to 1,250,000 shares of the authorized but unissued common stock of the company.

2. That Laclede Gas Company shall file with the Commission all documentation relating to the common stock issuance.

3. That Laclede Gas Company is further authorized to issue the Rights which accompany the new shares of common stock as required by the Rights Agreement which was authorized by the Commission in Case No. GF-96-309. Laclede Gas Company is accordingly authorized to issue and sell such additional shares as may be required by reason of the exercise of the Rights.

4. That this order shall become effective on January 22, 1999.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Drainer,
Murray and Schemenauer, CC.,
concur.

Gandhi, Regulatory Law Judge