

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

CASE NO. GR-84-161

In the matter of the application of
Laclede Gas Company of St. Louis,
Missouri, for authority to file tariffs
increasing rates for gas service
provided to customers in the Missouri
service area of the Company.

APPEARANCES: Robert M. Lee, Associate General Counsel, and Donald L. Godiner,
General Counsel, 720 Olive Street, St. Louis, Missouri 63101, for
Laclede Gas Company.

Gary W. Duffy, Attorney at Law, Hawkins, Brydon & Swearengen, P. C.,
P. O. Box 456, Jefferson City, Missouri 65102, for O'Fallon Gas
Service, Inc.

Robert C. Johnson, Attorney at Law, Mark S. Packer,
Attorney at Law, and George M. Pond, Attorney at Law, Peper, Martin,
Jensen, Maichel & Hetlage, 720 Olive Street, 24th Floor, St. Louis,
Missouri 63101 for Monsanto, et al.

Thomas J. Downey, Attorney at Law, P. O. Box 510, Jefferson City,
Missouri 65102, for The Trane Company.

E. Ronald Hill, Senior Attorney, P. O. Box 149, St. Louis,
Missouri 63166, for Union Electric Company.

Leland B. Curtis, Attorney at Law, 230 South Bemiston, Suite 410,
St. Louis, Missouri 63015, for Marco Sales, Inc.

Douglas M. Brooks, Public Counsel, P. O. Box 7800, Jefferson City,
Missouri 65102, for the Office of the Public Counsel and the Public.

Edward J. Cadieux, Deputy General Counsel, and
Michael C. Pendergast, Assistant General Counsel, P. O. Box 360,
Jefferson City, Missouri 65102, for the Staff of the Missouri Public
Service Commission.

REPORT AND ORDER

On February 3, 1984, Laclede Gas Company (Company) of St. Louis, Missouri,
submitted to this Commission tariffs designed to generate an increase of
approximately 2.3 percent or \$14.2 million in gas service charges to its Missouri

customers. The case was set for hearing September 17, 1984. On September 18, 1984, the parties executed a Stipulation and Agreement and presented it to the Commission. Said Stipulation and Agreement does not resolve the Gas Transportation Issue. That issue is scheduled for hearing on September 25, 1984.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

Since the Stipulation and Agreement adequately sets forth all procedural and factual matters in this case, it is hereinafter set forth in its entirety.

STIPULATION AND AGREEMENT

I. Procedural History

On February 3, 1984, Laclede Gas Company ("Company") of St. Louis, Missouri, submitted to this Commission tariffs designed to produce an increase of approximately 2.3 percent or \$14.2 million in charges for gas service provided to customers in the Missouri service area of the Company. The proposed tariffs had an effective date of March 4, 1984.

By Order dated February 28, 1984, the Commission suspended the proposed tariffs for a period of 120 days beyond March 4, 1984. On March 19, 1984, the Commission issued its Second Suspension Order and Notice of Proceedings, wherein the Commission again suspended the proposed tariffs for a further period of six months to January 2, 1985.

Pursuant to the Commission's first Suspension Order of February 28, 1984, which set March 29, 1984 as the deadline for interventions in this proceeding, applications to intervene were filed: by the City of St. Louis, Missouri, ("City") on March 13, 1984; by O'Fallon Gas Service Inc. ("O'Fallon Gas") on March 21, 1984; by American Can Company, Anheuser Busch, Inc., Chrysler Corporation, General Motors Corporation, McDonnell-Douglas Corporation, Monsanto Company and Nooter Corporation (collectively the "Industrial Intervenors") on March 28, 1984; by the St. Louis Chapter of the Sheet Metal and Air Conditioning Contractors National Association, the Missouri Association of Plumbing-Heating-Cooling Contractors, the Greater St. Louis Heating and Cooling Contractors Association, Meiners Company, and Dierkes Plumbing and Heating Company (collectively the "Contractor Intervenors"), by Union Electric Company ("Union Electric"), and by the Missouri Public Interest Research Group ("MoPIRG"), on March 29, 1984. Applications to Intervene were also filed by Marco Sales Inc. ("Marco Sales") on March 30, 1984, and by the Trane Company ("Trane") on April 6, 1984. By Order dated May 1, 1984, the applications to intervene filed by the above referenced parties were granted by the Commission.

On June 13, 1984, the Gas Service Company filed its Motion to Intervene for the limited purpose of addressing the issues raised by the Industrial Intervenors concerning the transportation of "self-help" gas. By Order dated June 27, 1984, the Commission granted Gas Service Company's Motion to Intervene for the limited purposes requested therein.

On July 2, 1984, Contractor Intervenors filed their Notice of Intent Not to Pursue Intervention, wherein they indicated that they were unable to pursue further the issues raised in this proceeding. On August 6, 1984, MoPIRG filed its Motion to Withdraw as Intervenor in Laclede Gas Company Case, wherein MoPIRG requested that it be permitted to withdraw from this case.

As directed by the Commission, the Company filed its prepared direct testimony and exhibits on April 18, 1984; and the Commission Staff ("Staff"), the Office of Public Counsel ("Public Counsel"), Trane, Marco Sales, and O'Fallon Gas filed their prepared direct testimony and exhibits with the Commission on July 30, 1984, and on August 6, 1984. No testimony or exhibits were filed by the City.

Pursuant to the Commission's Second Suspension Order of March 19, 1984, a prehearing conference in this case was conducted at the Commission's hearing room in Jefferson City, Missouri, commencing August 27, 1984. Representatives of the Staff; Company; Public Counsel; Industrial Intervenors; Union Electric; O'Fallon Gas; Marco Sales and Trane were present during the prehearing conference. Prior to the commencement of the prehearing conference, a representative of the City of St. Louis indicated that the City would support the Staff's position on the issues raised in this proceeding. In conformance with their earlier pleadings, neither Contractor Intervenors nor MoPIRG participated in the prehearing conference. The Gas Service Company also did not appear or participate in the prehearing conference.

As a result of the prehearing conference, an agreement was reached among and between all parties who participated therein. The following stipulations and agreements are hereby submitted to the Commission for its consideration and approval:

II. Stipulations and Agreements

1.

The Company shall be authorized to file revised tariffs designed to increase Missouri jurisdictional gross annual gas revenues by \$8,578,000, exclusive of applicable local taxes.

2.

The increase in revenues referred to in Paragraph 1 hereof shall become effective as soon as practicable, and in no event later than October 1, 1984, for all service rendered on and after the effective date of the revised tariffs implementing such revenue increase (hereinafter referred to as the "Effective Date of the Tariffs").

3.

The increased gross annual revenues authorized by the Commission's approval of this Stipulation and Agreement shall be allocated among the rate schedules and special contracts now existing in accordance with Exhibit "1" hereto. Without limiting the generality of the foregoing, it is expressly agreed that the wholesale rate reduction set forth in Exhibit "1" hereto shall be applicable to purchases for resale by O'Fallon Gas, which reduction recognizes that O'Fallon Gas is presently the Company's only wholesale customer.

4.

The Company's purchased gas adjustment clause will be revised as described in Exhibit "2" hereto (said revised clause being hereinafter referred to as the "Revised PGA Clause"), such revision to be fully effective with the first billing cycle of the December, 1984 billing month. The Company will also file, to be fully effective concurrently with the Revised PGA Clause, revised base tariff rates which shall include therein the base cost of purchased gas set forth in the Revised PGA Clause. The Company agrees that the transition to the Revised PGA Clause will be effected as described on page six of the prepared direct testimony of Staff witness Wendall R. Hubbs as submitted in this case. Although the transition to the revised PGA Clause will produce a change in rates relating to gas costs, such change will not affect, and is unrelated to, the rate design and revenue requirement results determined in this case.

5.

The parties to the appeal of the Commission's decision in Case No. GR-83-233, which appeal is now pending in the Missouri Court of Appeals for the Western District as Appeal No. WD 36,050 (hereinafter referred to as the "Pending Appeal") hereby stipulate and agree that nothing in this Stipulation and Agreement shall have any probative or precedential value therein, nor in any way impair or prejudice the positions of any of the respective parties, in the Pending Appeal, relative to the issues to be resolved therein with respect to Commission Case No. GR-83-233; provided however, that commencing with the effective date of the tariffs set forth in Exhibit "1" hereto (hereinafter referred to as the "Tariffs"), if such Tariffs are approved by the Commission pursuant to this Stipulation and Agreement, all customers of Laclede (including, without limitation, the Industrial Intervenors) shall be charged, and pay Laclede for, all gas service of the types covered by the aforesaid Tariffs, in accordance with the aforesaid Tariffs, and the rates set forth in said Tariffs. Nothing in this Stipulation and Agreement shall in any way affect the disposition of funds as have heretofore been paid into the registry of the Circuit Court of Cole County pursuant to a stay of certain rates in Commission Case No. GR-83-233 as ordered by Judge Byron L. Kinder on May 17, 1984 in connection with the Pending Appeal of Case No. GR-83-233 (hereinafter referred to as the "Funds"), and such Funds shall continue to be maintained in the court registry (and interest shall continue to accrue thereon) until such time as the court shall order the withdrawal of the Funds.

6.

The Company will conduct a study of its depreciation rates and furnish a copy of such study to the Staff on or before April 1, 1986, and concurrently therewith shall establish depreciation reserve by primary account by recording the debits and credits of all past salvage, cost of removal, depreciation accruals and retirements as far as records will reasonably permit. After this is accomplished, any remaining reserve will be allocated based on each account provision for depreciation computed using the prescribed rates then in effect or some other reasonable method of allocation. The aforementioned depreciation study will include engineering and economic studies to arrive at an estimated date of final retirement for all service centers, storerooms, garages, general plant structures, production plant facilities, underground storage facilities and local storage facilities.

7.

The Industrial Intervenors have proposed in this proceeding that the Company should be required to establish firm and interruptible gas transportation rates for industrial users. The Company has opposed this proposal by the Industrial Intervenors. The issue described in the immediately preceding two sentences is hereinafter referred to as the "Gas Transportation Issue." A hearing on the Gas Transportation Issue shall be held by the Commission commencing September 25, 1984. Nothing contained in this Paragraph 7, or elsewhere in this Stipulation and Agreement shall, however, delay or postpone the Effective Date of the Tariffs, which Tariffs shall, in any event, go into effect no later than October 1, 1984.

8.

The Tariffs set forth in Exhibit "1" hereto reflect the elimination of the Company's previously filed schedule of rates in this proceeding applicable to gas heating service to electric add-on heat pump customers (such previously filed schedule of rates in this proceeding being hereinafter called the "Add-on Heat Pump Tariff", and the issue in this proceeding regarding the Commission's approval of such Add-on Heat Pump Tariff, being hereinafter called the "Add-on Heat Pump Issue"). The parties involved in the Add-on Heat Pump Issue all agree that they will use their best efforts to obtain a resolution, on the merits, by the Missouri Court of Appeals, Western District, in presently pending Cause No. 34997 regarding the propriety of the Commission's action in its Report and Order in Commission Case No. GR-82-158, approving the Company's issuance of the Company's formerly effective interim tariff regarding gas service to electric add-on heat pump customers. Without limiting the generality of the foregoing, the parties involved in the Add-on Heat Pump Issue all expressly agree to take no action advocating that the aforesaid Court of Appeals should not directly address the "substantial and competent evidence" issues now before that Court in said Cause No. 34997. With respect to the Company's elimination, in the Tariffs set forth in Exhibit "1" hereto, of the Add-on Heat Pump Tariff, it is hereby agreed: (a) that such elimination will have no probative or precedential value, and in no way impair the Company's or the Commission's position in connection with the appeal now pending before the Missouri Court of Appeals, Western District, in said Cause No. 34997; and (b) that all of the testimony of any witness insofar as such testimony bears solely on the Add-on Heat Pump Issue will be entirely disregarded, and deemed to be of no probative or precedential value in this, or any other, proceeding.

9.

In accordance with current general Commission policy, the Company agrees to engage an outside consultant for the purpose of conducting a comprehensive management audit of Company's operations. Company and Staff agree that a separate Commission investigatory docket shall be established for purposes of the audit. The scope of the audit will be as described in the prepared direct testimony of Staff witness Stephen P. Hogg as submitted in this case. The management audit will be conducted with Staff's assistance and supervision. Company and Staff agree to jointly prepare a request for proposal for the management audit and to submit the same on or before February 1, 1985, for Commission approval. Subsequent to Commission approval of the request for proposal, Company and Staff shall present their selection of consultant to the Commission for approval.

The management audit will be conducted in two phases as described in the prepared direct testimony of Staff witness Hogg, and upon completion of the first phase of the audit a Phase I audit report will be submitted by the outside consultant to the Commission after review by Company and Staff, along with any recommendations regarding Phase II of the audit and an estimate of costs associated therewith.

The cost of the management audit shall be recoverable through Company's rates within the context of future Company rate cases to the extent such cost is known and measurable.

10.

This Stipulation and Agreement represents a negotiated dollar settlement which, if approved by the Commission, disposes of and resolves all of the issues in Case No. GR-84-161, except for the Gas Transportation Issue, as defined in Paragraph 7 hereof, but none of the parties to this Stipulation and Agreement shall be prejudiced, bound by, or in any way affected by, the terms of this Stipulation and Agreement: (a) in any future proceeding; or (b) regarding the issues raised in the Pending Appeal with respect to Commission Case No. GR-83-233; or (c) in the event that the Commission does not approve this Stipulation and Agreement, in this proceeding.

11.

None of the parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking principle, value methodology, method of cost of service determination, rate design methodology, or cost allocation underlying any of the rates and tariffs provided for in this Stipulation and Agreement.

12.

All of the prefiled testimony and exhibits of Company witnesses S. F. Sherwin; G. F. Smith; R. J. Carroll; R. L. Sherwin; M. T. Cline; G. M. Russell; H. R. Haury; J. Moten, Jr.; R. C. Jaudes; W. H. Posegate; and P. O. Kunz shall, except insofar as such testimony and exhibits relate solely to the Add-on Heat Pump Issue and the Gas Transportation Issue, be received into evidence, without the necessity of any of said witnesses taking the stand.

13.

All of the prefiled testimony and exhibits of Staff witnesses Mary H. Cleveland; W. Douglass Dickerson; Laverne E. Heithoff; Stephen P. Hogg; Wendell R. Hubbs; Chao-Min Lei; Melvin T. Love; Michael S. Proctor; Janice Pyatte; Bruce Schmidt; Jack M. Stewart; and Ronald C. Thiewes shall, except insofar as such testimony relates solely to the Add-on Heat Pump Issue and the Gas Transportation Issue, be received into evidence, without the necessity of any said witnesses taking the stand.

14.

All of the prefiled testimony and exhibits of Public Counsel witness, Philip B. Thompson, shall be received into evidence, without the necessity of such witness taking the stand.

15.

All of the prefiled testimony and exhibits of the Industrial Intervenors' witnesses Chris Albrecht, John W. Bowyer, and Mark Drazen shall, except solely insofar as such testimony and exhibits relate to the Gas Transportation Issue, be received into evidence without the necessity of any of said witnesses taking the stand.

16.

All of the prefiled testimony and exhibits of O'Fallon Gas' witness, B. Kent Turner, shall be received into evidence without the necessity of such witness taking the stand.

17.

The testimony and exhibits of the witnesses listed in Paragraphs 12, 13, 14, 15 and 16 hereof constitute all of the evidence submitted in this proceeding, other than that hereafter introduced in evidence with respect to the Gas Transportation Issue.

18.

The Staff shall have the right to submit to the Commission, in memorandum form, an explanation of its rationale for entering into this Stipulation and Agreement and to provide to the Commission whatever further explanation the Commission requests, and such memorandum shall not become a part of the record of this proceeding and shall not bind or prejudice the Staff in any future proceeding or in this proceeding in the event the Commission does not approve the Stipulation and Agreement. It is understood by the parties hereto that any rationales advanced by the Staff in such a memorandum are its own and not acquiesced in or otherwise adopted by such other parties.

19.

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their rights to cross-examine witnesses with respect to testimony and exhibits sponsored by such witnesses relating to all matters other than the Gas Transportation Issue.

20.

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights (pursuant to Section 536.080(1), RSMo. 1978): (a) to submit written briefs with respect to all matters in this proceeding other than the Gas Transportation Issue; and (b) to present oral argument with respect to all matters in this proceeding other than the Gas Transportation Issue.

21.

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights to judicial review, pursuant to Section 386.510, RSMo. 1978, with respect to all matters in this proceeding other than the Gas Transportation Issue.

22.

None of the parties to this Stipulation and Agreement shall be deemed to have waived or conceded any of their respective rights or positions with respect to the Gas Transportation Issue and all of the rights and positions of the parties with respect to the Gas Transportation Issue shall remain unaffected by the terms of this Stipulation and Agreement; provided, however, that nothing contained in this Paragraph 22 shall affect the Tariffs, the Effective Date of the Tariffs, or the amount of the rate increase as provided for in this Stipulation and Agreement (including, without limitation, any of the Company's rights under paragraphs 1, 2, 5 and 7 hereof).

23.

The agreements in this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation and Agreement in total, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

Respectfully submitted,

LACLEDE GAS COMPANY

MISSOURI PUBLIC SERVICE
COMMISSION STAFF

By

Donald L. Godiner
Vice President and
General Counsel
Laclede Gas Company
720 Olive Street,
St. Louis, Missouri 63101

By

Edward Cadieux
Deputy General Counsel
Missouri Public Service
Commission
P. O. Box 360
Jefferson City, Missouri 65102

INDUSTRIAL INTERVENORS

OFFICE OF PUBLIC COUNSEL

By

Robert C. Johnson
Attorney at Law
24th Floor
720 Olive Street
St. Louis, Missouri 63101

By

Douglas Brooks
Public Counsel
Office of Public Counsel
P. O. Box 7800
Jefferson City, Missouri 65102

UNION ELECTRIC COMPANY

CITY OF ST. LOUIS

By

E. Ronald Hill
Attorney at Law
Union Electric Company
P. O. Box 149
St. Louis, Missouri 63166

By

Robert C. McNicholas
Associate City Counselor
Room 314, City Hall
St. Louis, Missouri 63103

MARCO SALES, INC.

TRANE COMPANY

By

Leland B. Curtis
Attorney at Law
Suite 410
230 S. Bemiston
Clayton, Missouri 63105

By

Thomas J. Downey
Attorney at Law
P. O. Box 510
Jefferson City, Missouri 65102

O'FALLON GAS SERVICE, INC.

By

Gary Duffy
Attorney at Law
Hawkins, Brydon & Swearngen
P. O. Box 456
Jefferson City, Missouri 65102

Conclusions

The Missouri Public Service Commission has arrived at the following conclusions:

Laclede Gas Company is a public utility subject to the jurisdiction of this Commission pursuant to Chapters 386 and 393, RSMo 1978. The Company's revised tariffs, which are the subject matter of this proceeding, were suspended pursuant to authority vested in this Commission by Section 393.150, RSMo 1978.

For ratemaking purposes, the Commission may accept a Stipulation and Agreement in settlement of any contested matters submitted by the parties. The Commission is of the opinion that the matters of agreement between the parties in this case are reasonable and proper and should be accepted.

It is, therefore,

ORDERED: 1. That the Stipulation and Agreement entered into between Laclede Gas Company, the Staff of the Missouri Public Service Commission, the Office of Public Counsel, Monsanto et al., Union Electric Company, Marco Sales, Inc., The Trane Company and O'Fallon Gas Service, Inc. in Case No. GR-84-161, as set forth herein, is hereby accepted and adopted in disposition of all matters, with the exception of the Gas Transportation Issue, in this proceeding.

ORDERED: 2. That a hearing will be held to determine the Gas Transportation Issue referred to herein, on September 25, 1984, at 9:00 a.m. in the Commission's hearing room in Jefferson City, Missouri.

ORDERED: 3. That for the purpose of implementing this Stipulation and Agreement entered into in this proceeding, the revised tariffs filed by Laclede Gas Company in Case No. GR-84-161 be, and the same are, hereby disapproved and the Company is authorized to file in lieu thereof tariffs consistent with the Stipulation and Agreement.

ORDERED: 4. That Docket No. GO-85-63 be, and is hereby, established for the purpose of obtaining information regarding the management audit referred to herein.

ORDERED: 5. That the tariffs to be filed for Commission approval pursuant to this Report and Order may be effective for service rendered on and after October 1, 1984.

ORDERED: 6. That this Report and Order shall become effective on the date
hereof.

BY THE COMMISSION

Harvey G. Hubbs

Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Musgrave, Mueller,
Hendren and Fischer, CC., Concur.

Dated at Jefferson City, Missouri,
on the 21st day of September, 1984.