

In the Matter of the Operation of Laclede Gas Company's Purchased Gas Adjustment Clause.)
) Case No. GO-97-401
)

ORDER APPROVING STIPULATION AND AGREEMENT

On April 1, 1997, the Staff of the Missouri Public Service Commission (Staff) and Laclede Gas Company (Laclede) filed a Joint Motion To Open Docket and Joint Motion To Establish Procedural Schedule. On April 10 the Commission issued an order establishing this docket and adopting a procedural schedule as suggested by Staff and Laclede. On May 5 the Staff filed a Notice And Motion which stated that an agreement in principle had been reached in this case.

On July 1 Staff and Laclede filed a Stipulation And Agreement in this case. Staff and Laclede are the signatories to the Stipulation And Agreement. The Certificate Of Service shows that a copy of the Stipulation And Agreement was mailed or hand-delivered to the Office of the Public Counsel on July 1, 1997. The Commission's rules provide that nonsignatory parties have five days after receipt of the notice that a Stipulation And Agreement has been filed to request a hearing regarding the Stipulation And Agreement and, if no such request is made, the Commission should treat the Stipulation And Agreement as a Unanimous Stipulation And Agreement. (4 CSR 240-2.115(3)). The Commission may approve the Stipulation And Agreement without having an on-the-record presentation in this case because the due

process requirements as set out in State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Comm'n, 776 S.W.2d 494, 496 (Mo. App. 1989) have been met. Nonsignatory parties had an opportunity to request a hearing and have waived their rights by not requesting a hearing.

The agreements reached by Staff and Laclede in this case primarily involve the function of Laclede's Purchased Gas Adjustment (PGA) clause. The PGA clause is designed to allow natural gas local distribution companies to recover the cost of natural gas that they pay to wholesale suppliers of the commodity.

This Joint Motion, as well as nine other similar motions, were filed by Staff and Missouri's ten natural gas local distribution companies (LDCs) in early April 1997 to open proceedings that were designed to address certain issues associated with the dramatic and unprecedented increases in the unregulated price of natural gas during the winter of 1996-97. The Commission was concerned that frequent PGA filings were causing financial hardships among large numbers of ratepayers, and that the failure of LDCs to prorate the price of the gas to reflect the most recent price changes was eroding consumer confidence in the companies, as well as the regulatory process.

I. Frequency of PGA Filings

Under its current tariff Laclede may make a PGA filing whenever changes in gas costs would result in an aggregate increase or decrease of more than \$250,000 in monthly firm sales revenues. The Stipulation And Agreement provides that Laclede shall be permitted to make no more than three PGA changes per year. Two of these PGA changes are scheduled changes and they consist of a "winter filing" between October 15 and November 4 of

1997 and each succeeding year, and a "summer filing" between March 15 and April 4 of 1998 and each succeeding year. Also, Laclede could make an unscheduled winter PGA filing in between the scheduled winter filing and scheduled summer filing if at the time such unscheduled filing is made there is a projected underrecovery of 15 percent or more of Laclede's annual gas costs, or a projected overrecovery of 10 percent or more of Laclede's annual gas costs.

II. Use of Financial Instruments to Hedge Gas Cost Volatility

The agreement allows Laclede to use financial instruments in its efforts to reduce the volatility of Laclede's cost of natural gas. To assure recovery by Laclede of the direct costs incurred in connection with procurement of these financial instruments Laclede is authorized under the agreement to implement a Price Stabilization Charge. The agreement provides that the Price Stabilization Charge shall take effect August 1, 1997. The revenues generated from the Price Stabilization Charge and gains from the use of financial instruments shall be accounted for separately and credited to a Price Stabilization Fund on a monthly basis.

III. Proration of PGA changes

The agreement provides that any increase or decrease in any PGA factor, including Actual Cost Adjustment (ACA) and refund factors, shall be applied *pro rata* to customers bills for service rendered on and after the effective date of the change.

IV. Preservation of Laclede's Gas Supply Incentive Plan

The agreement provides that all of the PGA modifications shall be implemented in a manner that preserves the structure, financial characteristics, and operation of Laclede's Gas Supply Incentive Plan.

V. Conclusion

The Commission finds that the proposed Stipulation And Agreement is in the public interest and should be approved. The proposed Stipulation And Agreement is consistent with the Commission's obligation to ensure just and reasonable rates. See Section 393.130.¹

The Commission finds that the changes implemented in the Stipulation And Agreement have a significant impact on the company's ratepayers. These changes should ensure that ratepayers' gas bills reflect more accurately the price of the natural gas which they are consuming, and bring more stability to the PGA process of passing these unregulated costs on to ratepayers by limiting the number of occasions on which the PGA factor may be changed. The impact is significant enough that the Commission shall approve the Stipulation And Agreement only if Laclede complies with the conditions specified in Ordered Paragraphs 2 and 3 of this order. These conditions are designed to ensure that customers are apprised of these significant changes.

IT IS THEREFORE ORDERED:

1. That the Stipulation And Agreement filed by the Staff of the Missouri Public Service Commission and Laclede Gas Company on July 1, 1997 is hereby approved (Attachment 1).

¹ All statutory references are to Revised Statutes of Missouri 1994.

2. That Laclede Gas Company shall develop a bill insert to explain to its customers the changes to the operation of the Purchased Gas Adjustment clause that have been ordered herein. The bill insert shall include the effective date of the change as it affects customer bills.

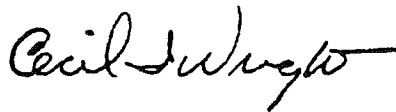
3. That Laclede Gas Company shall amend its bills to reflect the volumes used and the prices charged under the Purchased Gas Adjustment.

4. That Laclede Gas Company shall file tariff sheets in compliance with this order no later than July 23, 1997, in substantially the same form and with the same effective dates as those attached to the Stipulation And Agreement. Laclede Gas Company shall also file the form of the bill insert and the customer bills that it proposes to use in compliance with Ordered Paragraphs 2 and 3 of this order.

5. That the Staff of the Missouri Public Service Commission shall file a memorandum in this docket no later than July 25, 1997, indicating whether the tariff sheets filed pursuant to Ordered Paragraph 4 are in compliance with this order.

6. That this order shall become effective on August 1, 1997.

BY THE COMMISSION



**Cecil I. Wright
Executive Secretary**

(S E A L)

Zobrist, Chm., Crumpton,
Drainer, Murray and Lumpe,
CC., concur.

ALJ: Luckenbill

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

JUL 1 1997

MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of the Operation)
of Laclede Gas Company's)
Purchased Gas Adjustment)
Clause

Case No. GO-97-401

Stipulation and Agreement

I. Procedural History

On April 1, 1997, the Staff of the Missouri Public Service Commission (Staff) and Laclede Gas Company ("Laclede or Company") filed a Joint Motion to Open Docket and a Joint Motion to Establish Procedural Schedule. In the Joint Motion, Staff stated that events during the last heating season had raised general questions regarding the frequency of Purchased Gas Adjustment ("PGA") filings and the extent to which changes in various PGA factors should be prorated for billing purposes. Staff and Laclede accordingly requested that the Commission open this docket for the purpose of examining these two issues, and these two issues alone, in advance of the next winter heating season.

On April 10, 1997, the Commission issued an Order in Case No. GO-97-401 in which it opened this docket, established the procedural schedule recommended by Staff and Laclede, and directed that notice of this proceeding be provided. The Commission also

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issued orders opening similar dockets applicable to the other local distribution companies which operate in Missouri.

Subsequent to the issuance of these orders representatives of the Staff, Laclede and other gas utilities met in an effort to discuss the issues raised in each docket and determine whether agreements resolving the issues could be reached. As a result of those discussions, Staff and Laclede have reached the following stipulations and agreements:

II. Frequency of PGA Filings

For purposes of resolving the issue relating to the frequency of PGA filings, Laclede and Staff have agreed to certain significant revisions to Laclede's PGA tariff which, if approved by the Commission, would substantially reduce the number of PGA filings made by Laclede each year. These proposed PGA tariff revisions are set forth in Attachment A to this Stipulation and Agreement (the "Proposed PGA Tariff") and include the following modifications:

A. Number and Timing of PGA Filings -- Under its existing tariffs, Laclede may make a PGA filing whenever changes in gas costs would result in an aggregate increase or decrease of more than \$250,000 in monthly firm sales revenues. Under the Proposed PGA Tariff, Laclede shall be permitted to make no more than two

scheduled PGA filings each calendar year and one unscheduled PGA filing each winter period pursuant to the following terms:

1. Scheduled PGA Filings -- The first scheduled PGA filing (hereinafter the "Winter PGA Filing") shall be filed between October 15 and November 4, 1997 and between October 15 and November 4 of each succeeding calendar year thereafter. The second scheduled PGA filing (hereinafter the "Summer PGA Filing") shall be filed between March 15 and April 4, 1998 and between March 15 and April 4 of each succeeding calendar year thereafter.

2. Unscheduled Winter PGA Filing -- In addition to these two scheduled PGA filings, Laclede shall also be permitted to make one unscheduled winter PGA filing on an annual basis (hereinafter the "Unscheduled Winter PGA Filing") in the period between the effective dates of the Winter PGA Filing and the next Summer PGA Filing, provided that at the time of such Unscheduled Winter PGA Filing, there is: (a) a projected under-recovery in Laclede's Deferred Carrying Cost Balance ("DCCB"), as defined in paragraph II. E.1 herein, equal to or greater than fifteen percent of Laclede's Annual Gas Cost Level, as defined in the same paragraph, or (b) a projected over-recovery equal to or greater than ten percent of Laclede's Annual Gas Cost Level. The projected under- or over-recovery shall be determined by adding: (1) the

actual net over- or under-recovery amount in the DCCB at the time the Unscheduled Winter PGA Filing is made, and (2) the estimated over- or under-recovery amount in the DCCB which, based on Laclede's actual gas costs at the time of the Unscheduled Winter PGA Filing, would otherwise occur in the ensuing monthly period absent the filing.

3. Notice Period -- Each PGA filing shall be filed with the Commission no less than ten business days prior to the proposed effective date.

B. Contents of PGA Filings

1. The scheduled Winter and Summer PGA Filings shall contain rates changes reflecting: (a) refunds relating to or arising during the prior period; and (b) Laclede's estimate of gas costs for the period between the date of such filing and the next scheduled PGA Filing.

2. In addition:

(a) In the Winter PGA Filing, Laclede shall file revised ACA factors relating to the immediately preceding twelve months ending September (prior ACA period).

(b) In any Unscheduled Winter PGA Filing, Laclede may file a rate change not to exceed five cents (\$.05) per therm, (hereinafter the "Unscheduled Winter PGA Filing Adjustment Factor")

which is designed to return to, or receive from, ratepayers any DCCB-related over- or under-recoveries of gas costs that have been deferred by Laclede since its Winter PGA Filing. The Unscheduled Winter PGA Filing Adjustment Factor shall remain in effect until the next scheduled PGA Filing. Additionally, Laclede shall include in its Unscheduled Winter PGA filing a current estimate of gas costs for the period between the date of such filing and the next scheduled PGA Filing.

C. Estimate of Gas Costs -- The level of gas costs to be reflected in each PGA filing shall be subject to the following conditions:

1. Fixed Gas Costs -- The level of annualized gas costs relating to fixed pipeline transportation and storage charges, fixed gas supply charges, and other FERC-authorized fixed charges, shall be determined in the same manner as under Laclede's now existing PGA procedures.

2. Commodity Gas Cost Cap -- The level of gas costs relating to gas supply commodity costs, variable transportation charges, and other FERC-authorized variable charges (hereinafter "Commodity Gas Costs") shall be determined by Laclede for purposes of estimating this component in each PGA filing, provided that:

(a) for any scheduled PGA filing, such estimate shall not exceed a per therm cost equal to the higher of:

(1) Laclede's actual Commodity Gas Cost per therm for currently purchased gas supplies in the month in which the PGA filing is made; or

(2) The average of: (i) the single highest weighted average Commodity Gas Cost per therm; and (ii) the overall weighted average Commodity Gas Cost per therm; actually incurred by Laclede, for currently purchased gas supplies in the applicable winter or summer period during the then three most recent ACA periods.

(b) for any Unscheduled Winter PGA Filing, such estimate shall not exceed a per therm cost equal to Laclede's actual Commodity Gas Cost per therm for currently purchased gas supplies in the month in which such Unscheduled Winter PGA Filing is made.

(c) Laclede accepts responsibility that its gas costs will conform with the provisions of its PGA tariff and this Stipulation and Agreement. Additionally, Laclede will provide any information necessary to explain how the factor was developed. It is also understood by the parties that, subject to the Commodity Gas Cost as specified herein, such factor may be adjusted to

accelerate the recovery from or return to customer of any DCCB amount existing at the time of the filing.

D. Experimental Price Stabilization Fund

1. For purposes of reducing the impact of natural gas price volatility on Laclede's customers during the 1997/1998 winter season, and the potential deferral of gas costs to subsequent periods, Laclede shall be authorized to procure exchange traded Financial Instruments, in the form of **_____

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2. To assure recovery of the direct costs incurred by Laclede on and after July 1, 1997, in connection with the procurement of these Financial Instruments, Laclede shall be authorized to implement a Price Stabilization Charge which shall increase the commodity gas cost component of Laclede's PGA over a twelve month period beginning August 1, 1997 by an amount equal to **_____** per therm. Revenues generated as a result of such adjustment and all realized gains from the use of such Financial

Instruments shall be accounted for separately and credited to a Price Stabilization Fund on a monthly basis. This is not intended to be an additional PGA Filing. Specimen Tariff sheets implementing the Price Stabilization fund mechanism are set forth in Attachment A to this Stipulation and Agreement.

3. No prudence adjustment or other disallowance of costs debited to the Price Stabilization Fund and incurred by Laclede shall be proposed or made in any proceeding in connection with the use or potential use of natural gas financial instruments by Laclede, provided that the Financial Instruments are purchased: (a) within the authorized price range specified herein; and (b) at prices generally prevailing in the NYMEX natural gas market at the time the purchase is made.

4. Laclede shall cooperate with the Staff, Office of the Public Counsel, and other interested parties in identifying the impact of the Price Stabilization Fund on Laclede's gas costs during the first year in which the Price Stabilization Fund is in effect. In connection therewith, Laclede shall provide quarterly reports to the Staff and the Office of the Public Counsel describing such impacts, commencing October 1, 1997, and shall prepare and submit a final report to the Commission regarding such impacts by September 1, 1998. Unless otherwise requested by

Laclede, the Price Stabilization Fund shall be terminated, effective July 31, 1998. Any balance in the Price Stabilization Fund, net of amounts expended or committed by Laclede (including carrying costs described in paragraph II. D.6 below), shall thereafter be returned or charged to customers as part of the ACA adjustment reflected in the next Winter PGA Filing.

5. Laclede shall take appropriate steps to insure that proper internal controls and safeguards are in place relating to the use of natural gas financial instruments. It is understood by the parties that a primary goal of the financial instrument program described above is to procure price protection by use of Financial Instruments on a volume of gas equal to **_____

_____** It is also understood by the parties, however, that the actual percentage of gas supply protection achieved by Laclede may very well vary from this goal depending on changes in the market price for Financial Instruments, deviations from normal weather and other factors.

6. Notwithstanding any other provision of this Stipulation and Agreement, carrying costs equal to simple interest at the rate (described in paragraph II. E.2 below), shall be

applied each month to any negative or positive balance in the Price Stabilization Fund beginning August 1, 1997.

E. Carrying Costs -- Carrying costs shall be applied to certain deferred gas cost balances in the following manner:

1. No carrying costs shall be applied until such time as the net DCCB exceeds an amount equal to five percent of Laclede's average annual level of gas costs for the then three most recent ACA periods, (hereinafter "Annual Gas Cost Level"), which shall initially (until the 1998 winter PGA filing) be based on the three ACA periods immediately preceding the 1997/98 winter period. The DCCB shall include the cumulative under- or over-recoveries of gas costs at the end of each month for each annual ACA period. The under- and over-recoveries of gas costs to be included in the DCCB shall be defined as the product of: (a) the difference between Laclede's actual annualized unit cost of gas (including the cost of gas withdrawn from storage) and the estimated annualized unit cost of gas factor included in Laclede's then most recent PGA filing, multiplied by (b) the total volumes of gas sold during such month.

2. In the event the DCCB (whether over- or under-recovered) exceeds five percent of Laclede's Annual Gas Cost Level, a carrying cost equal to simple interest at the prime rate as noted in the Wall Street Journal on the first business day of

the following month, minus one percentage point shall be applied to such portion of the balance amount which exceeds five percent for the period such excess balance amount exist.

3. The DCCB may be charged to or collected from customers through implementation of the Unscheduled Winter PGA filing Adjustment factor described in paragraph II.B.2(b). Any DCCB amount existing at the end of the Company's ACA period, including interest, shall be included in the determination of the ACA factor to be effective in the Winter PGA filing.

III. Proration

Currently, Laclede prorates its PGA factor, but does not prorate its ACA and refund factors. In the future, the undersigned parties agree that any increase or decrease in any PGA factor, including ACA and refund factors, shall be applied prorata to customers bills for service rendered on and after the effective date of the change. The parties further agree that bills which contain multiple PGA rate changes during a customer's billing cycle shall be prorated between the old and new rates in proportion to the number of days in the customer's billing cycle that such rates were in effect.

IV. Ancillary Matters

A. Treatment of Transportation Customers -- In order that transportation customers (in comparison to sales customers) are not unfairly advantaged or disadvantaged by the longer PGA rate periods provided for in this Stipulation and Agreement, and that such transportation customers pay the actual cost of gas incurred to serve them, the Proposed PGA Tariff includes a provision permitting Laclede to bill transportation customers for sales gas based on the actual unit cost of gas incurred by Laclede (exclusive of the costs incurred or gains realized by Laclede in connection with the use of Financial Instruments) as such costs are calculated for all sales customers under Laclede's PGA tariff.

B. Variance from PGA Provisions -- Nothing in this Stipulation and Agreement shall expand or limit whatever authority Laclede may have to seek a variance or waiver from any Laclede tariff provisions or Commission rules. This Stipulation and Agreement shall not be construed as affecting in any way Laclede's right to seek emergency or permanent rate relief or to propose any changes in the manner in which it bills its customers.

C. Reevaluation of PGA Clause -- The parties agree that the PGA Clause revisions proposed herein address the immediate concerns raised in Case No. GO-97-401 as such concerns relate to Laclede.

Laclede agrees to cooperate with the Staff, Office of Public Counsel and other interested parties in examining the desirability and feasibility of implementing further changes to its tariffs in advance of the 1998/99 winter heating season, based on a review of how well the PGA Clause, as modified herein, will have operated during the 1997/98 winter heating season. The parties also acknowledge that the PGA structure provided for herein would need to be significantly altered in the event any further, significant unbundling of Laclede's services were to be implemented by the Commission.

D. Gas Supply Incentive Plan -- The parties agree that all of the PGA modifications provided for in this Stipulation and Agreement shall be implemented in a manner that preserves the structure, financial characteristics, and operation of Laclede's Gas Supply Incentive Plan.

E. Data Requests -- All data requests previously submitted by Staff to Laclede in these dockets shall be withdrawn. Staff may resubmit Data Request No. 5001 and Laclede will provide its response to such data request by September 1, 1997, provided that such response will be furnished without any prejudice to Laclede's right to object subsequently to the relevancy or admissibility of the information provided and any predetermination of whether

Laclede must furnish estimates or information that are not currently generated or maintained by Laclede.

V. General Matters

A. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost allocation, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

B. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

C. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 (RSMo. 1994) to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by

the Commission pursuant to Section 536.080.2 (RSMo. 1994); and their respective rights to judicial review pursuant to Section 386.510 (RSMo. 1994).

D. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all Parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules; shall be maintained on a confidential basis by all Parties; and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests; provided that the Staff shall, to the extent reasonably practicable, promptly provide other Parties with advance notice of when the Staff shall respond to the Commission's request from Staff, (and afford all such parties, to the maximum extent practicable, the right to be present at such oral explanation). Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

E. In order for Laclede to have adequate time to implement all aspects of this Stipulation and Agreement prior to the Winter PGA Filing, the parties urge the Commission to issue an Order Adopting the Stipulation and Agreement no later than July 15, 1997, with an effective date of no later than August 1, 1997.

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order: (a) approving all of the specific terms and conditions of this Stipulation and Agreement; and (b) directing Laclede Gas Company to file PGA Tariff Sheets, within five (5) days of the issuance of such Order, in substantially the

same form and with the same effective dates, as those set forth in Attachment A to this Stipulation and Agreement.

Respectfully Submitted,

Penny G Baker

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**ATTORNEY FOR
LACLEDE GAS COMPANY**

**ATTORNEYS FOR THE STAFF OF
THE MISSOURI PUBLIC SERVICE
COMMISSION**

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 1st day of July, 1997.

Penny G Baker

Laclede Gas Company
Name of Issuing Corporation or Municipality

Refer to Sheet No. 1
Community, Town or City

SCHEDULE OF RATES

PURCHASED GAS ADJUSTMENT CLAUSE

A. Current Purchased Gas Adjustments

In the event of increases or decreases in the cost of purchased gas, charges for gas service contained in the Company's then effective retail rate schedules on file with the Missouri Public Service Commission (Commission), with the exception of the Large Volume Transportation and Sales Service ("LVTSS") rate schedule, shall be increased or decreased at the times provided in Section E by a Current Purchased Gas Adjustment ("CPGA"). The CPGA for sales made pursuant to the LVTSS rate schedule shall be determined and implemented on a monthly basis, as described in paragraph 5 below, and shall be calculated in conformance with the CPGA for other firm sales rate schedules, except where noted. The cost of purchased gas shall include but not be limited to all charges incurred for gas supply, pipeline transmission and gathering and contract storage.

1. a. The PGA factor for firm sales shall be calculated by summing the gas cost components per therm as determined in accordance with paragraphs 2.a., b., c., d. and e. respectively, of Section A of this clause and subtracting therefrom the base gas cost level per therm for firm sales as set forth in Section F of this clause.
- b. The PGA factor for the seasonal and interruptible sales classifications shall be calculated by summing the gas cost components per therm as determined in accordance with paragraphs 2.c., d. and e. respectively, of Section A of this clause and subtracting therefrom the base gas cost level per therm for seasonal and interruptible sales as set forth in Section F of this clause.
2. The following unit gas cost components, rounded to the nearest .001¢ per therm, are recoverable under the PGA of either firm or interruptible sales customers, where applicable, as described in Paragraph A.1. above.

DATE OF ISSUE
month day year

DATE EFFECTIVE October 15, 1997
month day year

ISSUED BY K.J. Neises, Senior Vice President, 720 Olive Street, St. Louis, MO 63101
name of officer title address

Laclede Gas Company
Name of Issuing Corporation or Municipality

Refer to Sheet No. 1
Community, Town or City

SCHEDULE OF RATES

A. Current Purchased Gas Adjustments (Continued)

a. Gas Supply Demand Charges. The Gas Supply Demand Charge cost component per therm shall be determined by dividing the total current annualized gas supply demand charges the Company incurs by the firm sales volumes specified in Section F of this clause. Total current annualized gas supply demand charges shall be equal to the sum of the demand charges of each of the Company's gas suppliers obtained by multiplying the latest effective demand charge of each gas supplier by the annualized demand determinants applicable to such gas supplier. Such charges shall include charges payable to a producer or any gas supplier for the reservation of gas supplies and minimum take charges.

b. Capacity Reservation Charges. The Capacity Reservation Charge cost component per therm to be added to the other rate components to determine the CPGA factor for firm sales customers shall be calculated by dividing the capacity reservation costs allocated to firm sales customers by the firm sales volumes specified in Section F of this clause.

The Capacity Reservation Charge cost component per therm for firm transportation customers shall be determined by multiplying the average capacity reservation cost component per therm by 80%.

The capacity reservation costs to be allocated to firm sales customers shall be equal to total capacity reservation charges less the capacity reservation charges allocated to firm transportation customers. The capacity reservation charges allocated to firm transportation customers shall be determined by multiplying the Capacity Reservation Charge cost component per therm for firm transportation customers by the firm transportation volumes specified in Section F of this clause.

The average capacity reservation cost component per therm shall be determined by dividing the Company's total current annualized capacity reservation charges by the firm sales and firm transportation volumes specified in Section F of this clause.

DATE OF ISSUE
month day year

DATE EFFECTIVE October 15, 1997
month day year

ISSUED BY K.J. Neises, Senior Vice President, 720 Olive Street, St. Louis, MO 63101
name of officer title address

CANCELLING All Previous Schedules.

Laclede Gas Company

Refer to Sheet No. 1

Name of Issuing Corporation or Municipality

For Community, Town or City

SCHEDULE OF RATES

A. Current Purchased Gas Adjustments (Continued)

Total current annualized capacity reservation charges shall be equal to the sum of the reservation charges of each of the Company's suppliers obtained by multiplying the latest effective capacity reservation charge of each supplier by the annualized reservation-related determinants applicable to such supplier. Such charges shall include pipeline reservation charges (exclusive of Gas Supply Realignment Cost ("GSRC") surcharges) and contract storage capacity and deliverability charges.

c. Commodity-Related Charges. The Commodity-Related Charge cost component per therm for all sales rate schedules except LVTSS shall be determined by the Company using any method it deems reasonable provided that such estimate shall not exceed a per therm cost equal to the higher of: (1) Laclede's actual commodity-related gas cost per therm for currently purchased gas supplies in the month in which the PGA filing is made ("Current Purchased Commodity Cost"); or (2) the average of the single highest weighted average commodity-related gas cost per therm and the overall weighted average commodity-related gas cost per therm actually incurred by Laclede for currently purchased gas supplies in the applicable winter or summer period (consistent with the timing of PGA filings covered in Section E.1) during the then three most recent ACA periods.

For purposes of determining both the Current Purchased Commodity Cost for all sales rate schedules except LVTSS and the Commodity-Related Charge Cost component per therm for sales made to LVTSS customers, total current annualized commodity-related costs shall be divided by the total sales volumes specified in Section F. Total current annualized commodity-related costs shall be equal to the product of the current average commodity-related cost per therm applicable to the Company's purchases during the period covered by the new CPGA and the annual purchase volumes specified in Section F. The current average commodity-related cost per therm shall be equal to the latest

DATE OF ISSUE month day year

DATE EFFECTIVE October 15, 1997 month day year

ISSUED BY K.J. Neises Senior Vice President 720 Olive Street, St. Louis, MO 63101 name of officer title address

Laclede Gas Company
Name of Issuing Corporation or Municipality

For Refer to Sheet No. 1
Community, Town or City

SCHEDULE OF RATES

A. Current Purchased Gas Adjustments (Continued)

effective commodity-related charges divided by the total purchase volumes for such period. Such charges shall include but not be limited to producer or gas supply commodity charges and pipeline transmission and gathering commodity charges.

d. Take-or-Pay Charges. The Take-or-Pay cost component per therm shall be determined by dividing the current annualized take-or-pay related cost of purchased gas by the total sales and transportation volumes specified in Section F.

e. Other Non-Commodity-Related Gas Costs. With the exception of FERC Order No. 636 transition costs identified in an interstate pipeline company's rate schedules, the Other Non-Commodity-Related Gas Cost component per therm shall be determined by dividing all non-commodity-related gas costs subject to regulation by the FERC or any successor agency, by the total sales and transportation volumes specified in Section F. The Other Non-Commodity-Related Gas Cost component per therm applicable to the aforementioned transition costs will be determined by dividing such costs by the total sales volumes specified in Section F.

3. The factors determined in Paragraphs 2.b., 2.d. and 2.e. shall be applicable to transportation customers pursuant to Sheet No. 34 of the Company's Large Volume Transportation and Sales Service per therm, respectively. For informational purposes, such charges shall also be set forth at the bottom of Sheet No. 29.

DATE OF ISSUE
month day year

DATE EFFECTIVE October 15, 1997
month day year

ISSUED BY K.J. Neises, Senior Vice President, 720 Olive Street, St. Louis, MO 63101
name of officer title address

Laclede Gas Company

Name of Issuing Corporation or Municipality

For Refer to Sheet No. 1

Community, Town or City

SCHEDULE OF RATES

A. Current Purchased Gas Adjustments (Continued)

4. The CPGA for firm sales, with the exception of LVTSS sales, and the CPGA for seasonal and interruptible sales shall be set forth on Tariff Sheet No. 29 to be filed with the Commission and shall remain in effect until the next CPGA becomes effective hereunder, or until retail rates (or the fixed test period purchase and sales volumes) are otherwise changed by order of the Commission. Each CPGA made effective hereunder shall cancel and supersede the previously effective CPGA and shall be the CPGA to be effective thenceforth.

5. Each month, upon the availability of the natural gas market indices used in the determination of the Company's gas supply costs, the Company shall notify all of its LVTSS customers by facsimile of the CPGA which shall be applied to sales to such customers in such month. Such CPGA shall be computed in accordance with paragraphs 1 and 2 above, and shall become effective the next gas day after the aforementioned notification. Each month the Company shall submit to the Staff of the Commission a copy of the workpapers containing the computation of the CPGA.

6. The amount of each customer's bill shall include a CPGA charge which shall on a net basis be the product of (a) the CPGA per therm applicable to the sales classification as set forth in Tariff Sheet No. 29 for non-LVTSS customers, or the CPGA per therm described in paragraph 5 above for LVTSS customers, and (b) the total therms used in each billing period.

B. Refunds

At the time of each scheduled PGA filing described in Section E.1, the Company shall compute new refund distribution factors which shall be designed to refund to the Company's customers over a twelve-month period the entire amount of any refunds, including interest, which the Company received from its suppliers since the receipt of the latest refund covered by the last scheduled PGA filing provided that the total amount of undistributed refunds equals or exceeds \$100,000. Such refund factors which shall commence with the effective date of a scheduled Winter or Summer PGA filing shall remain in effect until the Company makes a scheduled PGA filing one year after such Winter or Summer filing. The distribution of such refunds will be accomplished in the following manner unless otherwise prescribed by appropriate Commission Order:

1. The following refund factors will be applied as a credit to bills to the applicable customers:

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SCHEDULE OF RATES

B. Refunds (Continued)

- a. The refund factor for firm sales, including LVTSS, service shall be calculated by summing the gas supply demand, capacity reservation, commodity-related, take-or-pay and other non-commodity-related gas cost refunds per therm as determined in accordance with paragraphs 2.a, b., c., d. and e., respectively.
 - b. The refund factor for seasonal and interruptible sales service shall be calculated by summing the commodity-related, take-or-pay and other non-commodity-related gas cost refunds per therm as determined in accordance with paragraphs 2.c., d. and e, respectively.
 - c. The refund factor for firm transportation customers shall be calculated by summing the capacity reservation, take-or-pay and other non-commodity-related gas cost refunds per therm as determined in accordance with paragraphs 2.b., d. and e. respectively.
 - d. The refund factor for basic transportation customers shall be calculated summing the take-or-pay and other non-commodity-related gas cost unit refunds per therm as determined in accordance with paragraph 2.d. and e. respectively.
2. Unit refund factors related to various gas cost components, rounded to the nearest .001¢ per therm, will be calculated in the following manner:
- a. Gas Supply Demand. The amount of refund related to gas supply demand charges shall be divided by the amount of therms estimated to be sold on a firm basis in the succeeding 12 months.
 - b. Capacity Reservation. For refunds relating to periods prior to September 1, 1996, the amount of refund related to capacity reservation charges shall be divided by the amount of therms estimated to be sold and transported on a firm basis in the succeeding 12 months. For refunds relating to periods after August 31, 1996, separate unit refund factors shall be calculated for firm sales and firm transportation customers, consistent with the allocation of capacity reservation charges set forth in Section A.2.b.

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..... SCHEDULE OF RATES	
B.	<u>Refunds (Continued)</u>
c.	<u>Commodity-Related.</u>
i.	The amount of commodity related refund applicable to firm sales shall be divided by the amount of therms estimated to be sold in the succeeding 12 months to customers who purchase gas on a firm basis.
ii.	The amount of commodity related refund applicable to seasonal and interruptible sales shall be divided by the amount of therms estimated to be sold in the succeeding 12 months to customers who purchase gas on a seasonal and interruptible basis.
d.	<u>Take-Or-Pay.</u>
i.	The amount of refund related to take-or-pay charges applicable to the period June 1, 1988 through November 14, 1989, shall be divided by the amount of therms estimated to be sold and transported to firm sales, firm transportation and basic transportation customers who purchased gas on a firm basis during the aforementioned period.
ii.	The amount of refund related to take-or-pay charges applicable to the period November 15, 1989 and after shall be divided by the amount of therms estimated to be sold (firm and seasonal and interruptible) and transported (firm and basic) in the succeeding 12 months.
e.	<u>Other Non-Commodity-Related Gas Costs.</u> The amount of any refund related to other non-commodity-related gas costs shall be divided by the amount of therms estimated to be sold and transported, or sold in the succeeding 12 months, in conformance with the derivation of the charge set forth in Section A.2.e.

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SCHEDULE OF RATES

B. Refunds (Continued)

3. The Company will add interest monthly to the balances of refunds received from its suppliers remaining to be distributed to customers. The amount of interest to be added each month shall be computed at the refund interest rate described in paragraph B.4. applied to such refund balance existing on the last day of each month. For each twelve-month refund distribution period, an estimate of the interest to be so added by the Company shall be included in determining the per therm credits to be applied to bills pursuant to Paragraphs 2.a. through 2.e. of this Section B, using the refund interest rate described in paragraph B.4.

4. The refund interest rate shall be equal to the prime bank lending rate as published in The Wall Street Journal less two percentage points. The refund interest rate to be applied to the refund balance at the end of each month shall be equal to the arithmetic average of the refund interest rates in effect on each day during such month. The refund interest rate to be used to make the initial estimate of the interest that will be included in each refund distribution shall be equal to the refund interest rate in effect on the day of the receipt of the supplier refund which results in the accumulation of over \$100,000 in new supplier refunds. At the conclusion of each refund distribution, the refund interest rate used in such distribution shall be reconciled with the actual average refund interest rate in effect for each month during the distribution period.

C. Deferred Purchased Gas Cost Accounts

The Company shall maintain Deferred Purchased Gas Cost Account(s) which shall be credited by the amount of any gas cost revenue recovery in excess of actual purchased gas costs and debited by the amount of any gas cost revenue recovery which is less than said actual purchased gas costs.

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SCHEDULE OF RATES

C. Deferred Purchased Gas Cost Accounts (Continued)

1. Such excess or deficiency in total gas cost recovery, for each sales classification (firm other than LVTSS, LVTSS and seasonal and interruptible) and for each transportation classification (firm and basic) shall be determined by a monthly comparison of the actual cost of gas, net of storage injections and withdrawals, as shown on the Company's books and records, exclusive of refunds, for each revenue month to the gas cost revenues recovered for such revenue month.

2. Each component of actual gas cost shall be allocated to the sales and transportation classifications in accordance with the CPGA components described in Paragraph 2 of Section A above relating to each component and based on the volumes sold and/or transported to the applicable customer classification during the twelve month period ending with the September revenue month. The actual costs of propane peak shaving supplies and penalties will be allocated solely to firm sales customers, including LVTSS customers.

3. The amount of gas cost revenues recovered each month for the sales classes shall be the product of the actual therm sales of each sales class and the gas cost revenue recovery components for such sales class. Such revenue recovery components shall be the sum of the base unit cost of gas for each sales class (as set forth in Section F) and the CPGA applicable to each sales class.

4. The amount of gas cost revenues recovered each month for the transportation classes shall be the product of the actual therms transported and the "Additional Transportation Charges," where applicable, specified in the Company's Large Volume Transportation and Sales Service tariff.

5. The Deferred Purchased Gas Cost Account shall be credited for those revenues received by the Company for the release of pipeline transmission or leased storage capacity to another party other than those revenues which are retained by the Company as described in Section D.1.a. below. Such revenues will be allocated to firm sales, including LVTSS, and firm transportation customers, consistent with the allocation of capacity reservation charges set forth in Section A.2.b.

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SCHEDULE OF RATES

C. Deferred Purchased Gas Cost Accounts (Continued)

6. Carrying costs shall be applied to certain excesses or deficiencies in gas cost recoveries which excesses or deficiencies shall comprise a Deferred Carrying Cost Balance ("DCCB"). The excesses or deficiencies to be included in the DCCB, which shall be computed separately for each of the Company's sales classifications, shall be the product of: (a) the difference between the Company's actual annualized unit cost of gas, net of storage injections and withdrawals, and the estimated annualized unit cost of gas factor included in the Company's then most recent PGA filing, and (b) the volumes of gas sold during such month. Each month, carrying costs, at a simple rate of interest equal to the prime bank lending rate (as published in The Wall Street Journal on the first business day of such month), minus one percentage point, shall be credited to sales customers for any excess recoveries of gas costs or credited to the Company for any deficient recoveries of gas costs only when and to the extent that the DCCB exceeds five percent of the Company's average annual level of gas costs for the then three most recent ACA periods.

7. For each twelve-month period ending with the September revenue month, the differences of the comparisons described above including, any carrying costs where applicable, and any balance or credit for the previous year shall be accumulated to produce a cumulative balance of excess or deficiency of gas cost revenue recovery. "Actual Cost Adjustment" (ACA) factors, which shall be included in the Company's Winter PGA filing, as such filing is described in Section E.1, shall be computed by dividing such balances by the applicable estimated sales or transportation volumes during the subsequent twelve-month ended October period for each of the respective sales and transportation classes. Such ACA factors shall remain in effect until superseded by revised ACA factors in the next scheduled Winter PGA filing. All actual ACA revenue recovered shall be debited or credited to the balance of the ACA account as appropriate and any remaining balance shall be reflected in the subsequent ACA computations.

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SCHEDULE OF RATES

E. Filing Requirements & Applicability

1. The Company shall make two scheduled PGA filings each year: A Winter PGA and a Summer PGA. The Winter PGA shall be filed between October 15 and November 4 and the Summer PGA shall be filed between March 15 and April 4.

2. In addition, between the effective dates of the Winter and Summer PGA filings the Company may make an Unscheduled PGA filing provided that at the time of such filing, there is: (a) a projected under recovery in the Company's Deferred Carrying Cost Balance ("DCCB"), as defined in Section C.6., equal to or greater than fifteen percent of the Company's average annual cost of gas for the three most recent ACA periods or (b) a projected over recovery equal to or greater than ten percent of such average gas cost. The projected under or over recovery shall be determined by adding: (1) the actual net over or under recovery amount in the DCCB at the time the Unscheduled PGA filing is made to (2) the estimated DCCB-related over or under recovery amount which, based on the Company's estimated costs at the time of the Unscheduled PGA filing, would otherwise occur in the ensuing monthly period absent the filing. At the time of the Unscheduled PGA Filing the Company may implement Unscheduled PGA Filing Adjustment ("UFA") factors for sales customers other than those customers served under the LVTSS rate schedule in order to recover or refund the DCCB estimated balance at the time of such filing. Separate UFA factors shall be computed for each of the sales classifications by dividing such DCCB for each such classification by the corresponding estimated sales volume for the period of time between the effective date of the UFA factors and the next Summer PGA filing, provided that such factors shall not exceed \$.05 per therm. Such factors shall remain in effect until the next Summer PGA filing. Any DCCB amount existing at the time of the next Winter PGA filing, including interest, shall be included in the determination of the new ACA factors for non-LVTSS sales customers to be effective in such PGA filing.

3. With the exception of the CPGA factor applicable to LVTSS customers, at least ten business days before applying any Purchased Gas Adjustment(s), the Company shall file with the Commission an Adjustment Statement showing:

a. The computation of the revised CPGA, refund, ACA and UFA factors:

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SCHEDULE OF RATES

E. Filing Requirements & Applicability (Continued)

b. A revised PGA Tariff Sheet No. 29 setting forth the rate classes of the Company to which the Purchased Gas Adjustment(s) is to be applied, the net amount per therm, expressed to the nearest .001¢ to be used in computing the Total Purchased Gas Adjustment (sum of CPGA, refund, ACA and UFA) applicable to customers' bills under each rate schedule, and the effective date of such adjustment.

c. The Company shall also file with the Commission, as soon as available, copies of any orders or other pertinent information applicable to the wholesale rate(s) charged the Company by its suppliers. Any supporting material disclosing market-specific information will be designated "Highly Confidential" and will only be made available to the Missouri Public Service Commission or to any party that executes a non-disclosure statement.

4. The resulting increases or decreases in charges for gas service resulting from an increase or decrease in the CPGA, ACA, refund and UFA factors shall be effective on a pro-rata basis beginning with the effective date of the revised Tariff Sheet No. 29, or the effective date provided by paragraph A.5, and shall be fully effective one month thereafter, provided that any such proposed increase or decrease in charges satisfies the terms of Section E hereof.

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SCHEDULE OF RATES

G. Experimental Price Stabilization Fund

For purposes of reducing the impact of natural gas price volatility on the Company's customers during the 1997/1998 heating season, the Company shall maintain an Experimental Price Stabilization Fund for purposes of procuring certain natural gas financial instruments in accordance with parameters which have been designated "Highly Confidential" and are only available to the Missouri Public Service Commission or to any party that executes a non-disclosure statement.

The Company shall recover all costs and expenses associated with such procurement through the inclusion of a Price Stabilization Charge in the Commodity-Related unit gas cost component set forth in paragraph A.2.c., as such charge applies to all sales rate schedules other than LVTSS.

Beginning July 1, 1997, all costs and expenses directly attributable to the procurement of such instruments shall be charged to the fund. All revenues collected through the Price Stabilization Charge and any financial gains derived therefrom shall be credited to the fund. At the end of each month carrying costs shall be applied to any balance in the fund at a simple rate of interest equal to the prime bank lending rate (as published in The Wall Street Journal on the first day of such month) minus one percentage point.

Unless otherwise requested by the Company and approved by the Commission, the fund shall be terminated effective July 31, 1998. Any debit or credit balance in the fund, including interest, shall be charged or returned to the Company's non-LVTSS sales customers through the ACA factor established in the next Winter PGA filing.

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SCHEDULE OF RATES

PURCHASED GAS ADJUSTMENT CLAUSE

Adjustment Statement

In accordance with the Company's Purchased Gas Adjustment Clause contained in Sheet Nos. 15 through 28-d, inclusive and the Company's Purchased L.P. Gas Adjustment Clause contained on Sheet No. 8, the following adjustments per therm or per gallon, where applicable, will become effective for bills rendered on and after the effective date of this tariff.

Sales Classification	Current	ACA	UFA	Refund	Total
	PGA				Adjustment
Firm Other Than LVTSS					
LVTSS					
Seas. & Int.					
L.P.					

Firm Other Than LVTSS sales are rendered under General Service Rate (Sheet No. 2), the Large Volume Service Rate (Sheet No. 5), the Unmetered Gas Light Service Rate (Sheet No. 9), Vehicular Fuel Rate (Sheet No. 11) and all special contracts for firm service.

LVTSS sales are rendered under the Large Volume Transportation and Sales Service Rate (Sheet No. 34).

Seasonal and Interruptible sales are rendered under the Seasonal Air Conditioning Service Rate (Sheet No. 4), and the Interruptible Service Rate (Sheet No. 7).

L.P. Gas sales are rendered under the General L.P. Gas Service Rate (Sheet No. 8).

Additional Transportation Charges, ACA Factors and Refunds

Customer Groups	TOP	Capacity	Other Non-	ACA	Refund
		Reservation	Commodity		
Firm					
Basic - Firm Sales					
Prior to 11/15/89					
Basic - Other					

The above Current PGA Factors are based on wholesale pipeline gas cost levels, per therm, which include TOP, Capacity Reservation and Other Non-Commodity.

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SCHEDULE OF RATES

C. RATES (Continued)

Determination of Billing Demand - The billing demand for each month shall be the greater of a) the Customer's contracted for billing demand for each separately metered service or b) the maximum amount of gas (in therms) transported and/or purchased for each separately metered service during any consecutive period of 24 hours during the months of November through March when the Company has restricted Basic Service deliveries to the DSQ. Notwithstanding the foregoing provisions, the billing demand for any month shall not be less than the highest billing demand for any of the last preceding 11 months.

Purchased Gas Adjustment (PGA) - The charge for all therms sold to the Customer shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas applicable to LVTSS, equal to the CPGA made effective in accordance with paragraph A.5, plus the ACA, UFA and refund factors set out on Sheet No. 29. The commodity charge per therm sold as specified in this rate schedule is based on wholesale gas rates which produce a system average gas cost of 28.489¢ per therm.

Unauthorized Use Charge - On any day, the Company may order a Customer contracting for Basic Service to limit its use to the DSQ. When such limitation order is in effect, the Customer will be charged an unauthorized use charge of \$1.00 per therm for all gas used in excess of the DSQ. This unauthorized use charge is in addition to the other applicable charges set forth herein, and is subject to the service discontinuance rights of the Company set forth under Section B(1) hereof.

D. TERMS AND CONDITIONS

1. DEFINITIONS - The following terms when used in this tariff, in the Contract and in transactions relating to such tariff or contract shall have the following meanings:

1.1 A "day" shall be a period of twenty-four (24) consecutive hours commencing at nine o'clock (9:00) a.m. Central Clock Time ("CT").

1.2 A "month" shall be a period of one calendar month commencing at nine o'clock (9:00) a.m. CT on the first day of such month.

1.3 A "year" shall be a period of three hundred sixty-five (365) consecutive days commencing and ending at nine o'clock (9:00) a.m. CT, provided that any such year which contains the date of February 29 shall consist of three hundred sixty-six (366) consecutive days.

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