

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY**

January 25, 2001

CASE NO: GR-2001-387

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Kenneth J. Neises
Laclede Gas Company
720 Olive Street
St. Louis, MO 63101

General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,

A handwritten signature in black ink that reads "Dale Hardy Roberts". The signature is written in a cursive style with a large initial "D" and "H".

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 25th
day of January, 2001.

In the Matter of Laclede Gas Company's Purchased) **Case No. GR-2001-387**
Gas Adjustment Tariff Revisions to be Reviewed) **Tariff No. 200100735**
in Its 2000-2001 Actual Cost Adjustment)

ORDER APPROVING INTERIM RATES

Laclede Gas Company (Laclede) submitted a tariff sheet to the Commission on January 12, 2001, carrying an effective date of January 27, 2001. The effective date of the tariff was subsequently changed to January 29, 2001, at the request of Laclede. The proposed tariff sheet was filed to reflect unscheduled changes in Laclede's Purchased Gas Adjustment (PGA) factors as the result of current high prices of natural gas that exceed those contained in Laclede's scheduled winter heating season PGA tariff.¹ The net effect of the changes proposed by Laclede will increase the firm PGA factor for the remainder of the 2000-2001 winter season to \$0.91311 per therm from the current firm PGA factor of \$0.66311 per therm.

The Staff of the Commission (Staff) filed a memorandum and recommendation on January 23, 2001, stating that Laclede's Deferred Carrying Cost Balance (DCCB) is currently increasing at a rate in excess of \$1 million per day due to the difference between the Company's current retail rates and the market price of natural gas. The DCCB, plus interest, will be included in the rate calculations used to compute Laclede's next ACA factor. This could cause an increase in next year's PGA rates. Staff

¹ The winter season includes the months of November through March.

further states that, if the DCCB becomes overly large, it will negatively impact Laclede's ability to borrow money and procure additional supplies of natural gas. Staff states that the changes in Laclede's PGA were calculated in conformance with the Company's approved PGA Clause, and that Laclede's tariff permits the filing of proposed PGA tariffs on ten days' notice.

Staff recommends that the Commission approve the tariff sheet to become effective January 29, 2001, on an interim basis, subject to refund, pending a final Commission decision in Laclede's pending ACA cases: Case Nos. GR-2000-622; GR-99-316; GR-98-297; and GR-97-222.

The Commission has reviewed the proposed tariff sheet and Staff's recommendation and memorandum, and finds that the tariff sheet conforms to Laclede's Commission-approved PGA Clause and is therefore reasonable. This unscheduled increase in Laclede's rates is necessary because of the current extraordinarily high price of natural gas. If the price of natural gas drops in coming months, the Commission encourages Laclede to file for an unscheduled reduction in its PGA tariffs.

After considering Staff's recommendation, and for good cause shown pursuant to Section 393.140(11), RSMo 1994, the Commission finds that the proposed tariff sheet should be approved for service rendered on and after the requested effective date of January 29, 2001, on an interim basis, subject to refund.

IT IS THEREFORE ORDERED:

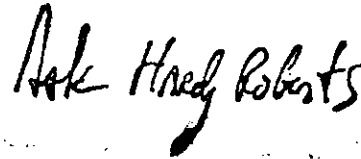
1. That the tariff sheet submitted on January 12, 2001, by Laclede Gas Company, is approved on an interim basis, subject to refund, to become effective on January 29, 2001. The tariff sheet approved is:

P.S.C. Mo. No. 5 Consolidated

One Hundred and Eighty-Third Revised Sheet No. 29, CANCELING One Hundred and Eighty-Second Revised Sheet No. 29

2. That this order shall become effective on January 29, 2001.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Drainer, Murray, CC., concur
Schemenauer and Simmons, CC., dissent with dissenting opinions attached

Woodruff, Senior Regulatory Law Judge

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Laclede Gas Company's Purchased)
Gas Adjustment Tariff Revisions to be Reviewed)
in Its 2000-2001 Actual Cost Adjustment.)

Case No. GR-2001-387

Dissenting Opinion of Commissioner Robert G. Schemenauer

I respectfully dissent with the majority of the Commission on this case. The purchased gas adjustment clause as used in Missouri allows gas utility companies to recover the cost of the gas purchased and resold to ratepayers from those same ratepayers. I do not disagree and in fact support that concept. What I find most objectionable in this tariff is the negative financial and immediate impact it will have on the households of Laclede's customers. Increases of this magnitude should be phased in over two or three billing periods. Laclede, as well as other gas utilities, has this option but has evidently decided not to request a phase-in of this adjustment.

Again, I do not believe that an immediate rate increase of this magnitude, especially after the recent increase already approved, is in the public interest. For this reason I respectfully dissent.

Respectfully submitted,

A handwritten signature in cursive script, reading "Robert G. Schemenauer".

Robert G. Schemenauer
Commissioner

Dated at Jefferson City, Missouri,
on this 25th day of January, 2001.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Purchased) Case No. GR-2001-387
Gas Adjustment Tariff Revisions to be Reviewed) Tariff No. 200100735
in Its 2000-2001 Actual Cost Adjustment)

DISSENTING OPINION OF COMMISSIONER KELVIN L. SIMMONS

The Missouri Public Service Commission today approves a substantial rate increase for Laclede Gas Company under its Purchased Gas Adjustment (PGA) tariff provision. I dissent in the Commission's decision.

Natural gas prices are volatile; they are subject to rapid and extreme fluctuations. The PGA mechanism permits Missouri natural gas utilities to respond rapidly to fluctuations in natural gas prices. Rates can be quickly raised or lowered, on ten days notice, depending on market conditions. Each gas utility seeks an initial PGA rate order in the late summer, based upon a forecast of gas prices for the upcoming heating season. In the spring, an adjustment is typically made, based on the record of the heating season just completed. If necessary, unscheduled adjustments can be made. Unfortunately, in the present regime of an unusually cold winter and rising prices at the wellhead, Laclede is seeking to raise rates.

The PGA mechanism has existed since the 1960s and has been approved by the Missouri courts. See Midwest Gas Users Association v. Public Service Commission of the State of Missouri. Nonetheless, despite its long acceptance and judicial approval, the time has come for the Commission to reconsider the PGA mechanism. The current heating cost emergency raises an unavoidable question: Are the natural gas utilities

doing everything in their power to protect consumers from the effects of unexpected, extreme fluctuations in the price of natural gas? Are they engaging in appropriate hedging programs? Are they storing adequate reserves, purchased when prices are low? The Commission has opened a recent case to investigate these matters. I am in complete agreement with that decision.

The PGA mechanism was created by the Public Service Commission. Although the courts have upheld the PGA process, the Missouri General Assembly has never yet spoken on the subject. I also believe that the time has come for the General Assembly to provide guidance to the Commission with respect to the PGA mechanism. If the legislature believes the process should be altered or changed completely, then the Commission would be ready to implement those changes. The legislature would also be in a position to recommend the appropriate staffing and resource considerations that would be necessary to carry out the legislatures wishes. Certainly, the legislature has a necessary role to play in protecting consumers from the effects of extreme and unexpected gas price fluctuations.

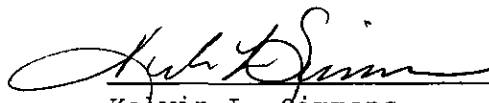
The Office of the Public Counsel is an independent state agency, expressly created to represent consumers before this Commission. It is noteworthy that the Public Counsel has not asked the Commission to reject or suspend Laclede's unscheduled PGA tariff. I believe an emergency audit should be conducted as the Public Counsel requested in a recent Purchased Gas Adjustment (PGA) Tariff involving similar companies. However, I caution such an audit will take some months to complete.

The current crisis is not limited to Missouri. It is a problem of national dimension. The wells that produce natural gas are not located in Missouri; they are beyond the reach of this Commission. It is the duty of the federal government to examine gas-pricing practices to determine whether or not gas wholesalers are gouging consumers in Missouri and

elsewhere. That is an investigation in which the Missouri Attorney General has a vital role to play. I will continue to urge the Attorney General to review this matter and to take whatever steps he can to protect Missouri ratepayers.

It appears that the current PGA process, which is statutorily silent and upheld in the courts, gives the Commission very limited options but to approve Laclede's unscheduled PGA rate increase request. Some would even argue that if we did not approve the increase, Laclede's would soon exhaust its reserves of gas and cash and find itself in a position in which it was unable to purchase further natural gas supplies. That would not assist Missouri consumers in any way. I however remain unconvinced that our current process for evaluating a consistent cost recovery method under these extreme set of circumstances gives rise for automatic approval. *I look for a way to provide our consumers with close to absolute certainty that the cost for natural gas processed through the PGA mechanism is reliably assured given today's extraordinary volatility with high natural gas prices.* For these reasons, I respectfully dissent.

Respectfully submitted,



Kelvin L. Simmons
Commissioner

Dated at Jefferson City, Missouri,
on this 25th day of January, 2001.

ALJ/Sec'y:

Wendy F. Boyce

Date Circulated

1-23
CASE NO. *CR-2001-387*

18 p1
Lumpke, Chair

200 p2
Draier, Vice Chair

4 p1
Murray, Commissioner

85 No - I believe that these items should be placed in front of
Schemmeyer, Commissioner
My Assent will follow!
Simmons, Commissioner
Leah Two
billing over

1-25
Agenda Date

Action taken:

3-2 AA

Must Vote Not Later Than

documents attached

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 25th day of Jan. 2001.

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

