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Exhibit No.:	
Issue:	**ACA Adjustment**
Witness:	**George E. Godat**
Type of Exhibit:	**Rebuttal Testimony**
Sponsoring Party:	**Laclede Gas Company**
Case No:	**GR-2004-0273**
Date:	**October 19, 2006**

LACLEDE GAS COMPANY

GR-2004-0273

REBUTTAL TESTIMONY

OF

GEORGE E. GODAT

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REBUTTAL TESTIMONY OF GEORGE E. GODAT

Q. What is your name and address?

A. My name is George E. Godat, and my business address is 720 Olive Street, St. Louis, Missouri 63101.

Q. By whom are you employed and in what capacity?

A. I am employed by Laclede Gas Company ("Laclede" or "Company") in the position of Director of Gas Supply.

Q. Are you the same George E. Godat who previously filed direct testimony in this proceeding?

A. Yes, I am.

PURPOSE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the various assertions made by Staff witness David Sommerer in his direct testimony regarding the matters at issue in this case. Specifically, I will address the inaccuracies in many of the claims Mr. Sommerer has made in support of Staff's proposal to disallow **____ _____ _____.** ** _____ _____ **

Q. On page 4, line 1 of his direct testimony, Mr. Sommerer states that **_____ _____ _____ _____** In your view, does this suggest that **_____

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_____** is an unusual or uncommon practice?

A. No, not at all. If Mr. Sommerer looked outside of Missouri or surveyed gas producers, as I have, regarding the practice **_____ ** he would find that a large number of LDCs **_____ _____**

A. Why do you believe this to be the case?

A. When Laclede sends out its Request For Proposal ("RFP") **_____ _____ _____ _____** Indeed, producers have indicated by both their actions and their words that this is a common practice for LDCs when contracting for gas supplies. This is supported by a recent study released by the AGA in July 2005 entitled "*LDC Supply Portfolio Management During the 2004-2005 Winter Heating Season,*" which concluded that **_____ _____ _____ _____** As a result, I think it is highly misleading to imply that Laclede's practice **_____ _____** is somehow unique. In fact, just the opposite is true.

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Q. On pages 13-14 of his direct testimony, Mr. Sommerer suggests that Laclede could **_____

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_____** Do you agree?

A. No, such a view is completely inconsistent with my experience in managing Laclede's gas supply, storage and propane requirements

Q. Please explain.

A. All of these assets have to be managed on a daily and monthly basis to ensure two things, namely that Laclede's customers receive reliable gas supplies each and every day and that all of Laclede's contractual requirements for purchasing, transporting and storing gas and propane are met.

Q. Is the amount of gas used by Laclede's customers fairly consistent throughout the winter or does it change day by day?

A. The majority of Laclede's customer demand is very weather sensitive; therefore the demand can increase or decrease by huge increments from one day to the next. **_____

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Q. Are all of these daily system requirements met with daily gas supply purchases that are transported on pipelines to Laclede's city gate?

A. Actually, **_____

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Q. Please explain how Laclede meets its peak day requirement if it is not met by flowing purchases.

A. Laclede's 03-04 Reliability Report lists the potential peak day requirement in January to be **_____** For the month of January 2004, Laclede only had **_____

_____

_____

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Q. Are there limits on the amount of storage that Laclede can take from its MRT storage to meet its requirements?

A. Yes. MRT storage not only has a limited amount of flexibility from month to month, but its monthly withdrawal requirements are also fairly strict. Therefore, MRT storage must be monitored very closely to make sure that gas is still available late in the season when it may be needed, while at the same time ensuring that all of the daily and monthly withdrawal requirements of MRT's storage tariff are met.

Q. Is there a limited amount of on-system storage available to meet Laclede's peak requirements?

A. Yes. During an extended cold period, Laclede can exhaust its on-system storage capability in **_____** and will not likely be able to replenish the storage until warmer weather allows extra pipeline supply to be injected back into Laclede's on-system storage field.

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Q. Do these storage constraints limit the amount of high-priced swing supply that Laclede can avoid by using its storage in place of daily flowing supplies?

A. Yes. **_____

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Q. Did Laclede take any extra measures during the 03-04 ACA period to reduce flowing supplies under contract as far as possible?

A. Yes, as Laclede explained to Staff in a conference call on June 6, 2005, there was a late start to the winter in 2003 and Laclede's storage inventory on the MRT system was higher than normal going into the heart of the winter. **_____

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A FORMAL STUDY WAS NEITHER A NECESSARY NOR APPROPRIATE PREREQUISITE TO CONTINUING THE LONG-STANDING PRACTICE

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Q. In apparent support of its assertion that Laclede should have done a formal study on **_____ _____** Mr. Sommerer notes, at page 10 of his direct testimony, that the last such study provided by Laclede on this subject was done in May of 1996 (the "1996 study") or about seven years prior to **_____ _____** Why did Laclede provide a study that was seven years old in response to Staff's request for such information?

A. As I stated on page 8 of my direct testimony, the Gas Supply department at Laclede Gas did not need a formal study to know **_____ _____ _____ _____** Nor was there any reason for Laclede to believe that the Staff wanted or needed such a study in order to determine the prudence of this long-standing practice that, with Staff's full knowledge, had been an integral part of our gas supply procurement process for the ten years prior to the 03-04 ACA period. Nevertheless, at Staff's request, Laclede provided the 1996 study to Staff, and promptly began work on an updated study which ultimately confirmed, as Laclede believed it would, **_____ **

Q. Did Laclede provide the results of the updated study to Staff?

A. Yes. Laclede provided the results of a five year study for the 1998 to 2003 period to Staff in August 2005, just three months after Staff requested the study and four

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months prior to Staff's filing of its recommendation in this case. But for some reason unknown to me, Mr. Sommerer has chosen to ignore both the statements by Laclede **_____ _____** and its updated formal study that covered the five-year period ending just prior to the time Laclede assembled its 03-04 supply portfolio. Instead, Mr. Sommerer focuses only on the age of the 1996 study in his direct testimony.

Q. Mr. Sommerer stated on page 12, line 19 of his direct testimony that Laclede provided no discussion on the methodology used in the 1996 study. Was the updated study that Laclede provided in August 2005 performed in a manner similar to the 1996 study, and were the procedures used to produce the study and results discussed with Staff?

A. Yes. The updated study was done consistent with the approach used in 1996. Laclede had extensive conversations with Staff regarding the updated study and, at the request of the Staff, provided Staff with all the raw data used in the study.

Q. What were the results of the updated study that Laclede provided in August 2005?

A. The updated study showed that **_____ _____ _____**

Q. On page 13 of his direct testimony, Mr. Sommerer criticizes the 1996 study (which was updated in 2005) because Laclede did not create a scenario to redispatch daily supplies **_____** Please explain why Laclede did not try to redispatch its supplies.

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A. The supplies were not redispatched in the 1996 study or when it was updated in 2005, because such an action would be totally arbitrary. Laclede has told the Staff on numerous occasions, including in a conference call with Staff in connection with this case, that Laclede must consider a whole host of factors when deciding whether or not to add or cut gas supplies. It would be meaningless and misleading for Laclede to do a hindsight redispatching of gas supplies for each day of a five year period **_____ _____** Furthermore, as I explained earlier in my testimony, Laclede does not have the kind of flexibility in its use of storage and propane supplies that Mr. Sommerer suggests, making a redispatching nothing more than an academic exercise.

Q. **_____

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A. _____

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Q. How is the analysis that Mr. Sommerer used to calculate the disallowance in this case different than the approach Laclede used in its 1996 study and the updated study provided in 2005?

A. It is different in three main respects. First, Mr. Sommerer completely ignored the data provided by Laclede for the five years prior to the 03-04 ACA period, which was the information that was essentially available to Laclede at the time it arranged its supply portfolio for the 03-04 period. **_____

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Q. **_____

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A. No. As I explained in my direct testimony, the Staff, the Commission and all of the other LDCs in Missouri, were acutely aware of the extreme price run-ups that had occurred in December 2000 and in February 2003. Producers, marketers, buyers and other industry participants also knew that there was a distinct possibility that such intra-month run-ups could happen again, and that the effect

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might even be worse in the then current higher price environment, particularly if we actually experienced cold weather or a disruption in supply. **_____

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_____** For all of these reasons, as well as those discussed in my direct testimony, I believe that Staff's proposed disallowance should be rejected by the Commission.

OTHER MATTERS

Q. **_____

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Q. Were these off-system sales revenues then shared with Laclede's customers?

A. Yes, as I discussed in my direct testimony, these off-system sales revenues were shared with Laclede's customers. They should accordingly be taken into consideration in determining the cost and benefits of Laclede's practice **_

_____**

Q. How do you respond to Mr. Sommerer's contention on pages 18-19 of his direct testimony that such off-system sales revenues should not be taken into account because they might have been realized **_____

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A. I find such a contention very difficult to accept. The Staff has asserted or implied in various proceedings, including this very one (see for example, Sommerer Direct, p.9, line 7), **_____

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_____** Needless to say, the Staff cannot have it both ways and the Commission should reject Staff's transparent effort to overstate the costs and understate the benefits associated with this long-standing practice.

Q. Do you have any comments regarding Mr. Sommerer's statement at page 19, lines 16-18 of his direct testimony, that Laclede's marketing affiliate **_____

_____

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A. Yes. It is not at all clear to me why Mr. Sommerer would make this observation or what possible relevance he thinks it has to the issues in this case. To make sure the record is clear, however, it should be noted that during the subject ACA period, Laclede's marketing affiliate, known as LER, **_____

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Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the PGA Filing for Laclede Gas Company	))	Case No. GR-2004-0273

AFFIDAVIT

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

George E. Godat, of lawful age, being first duly sworn, deposes and states:

1. My name is George E. Godat. My business address is 3950 Forest Park, St. Louis, Missouri 63108; and I am Director-Gas Supply of Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony, on behalf of Laclede Gas Company.

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

George E. Godat

SUBSCRIBED AND SWORN TO before me this 19th day of October, 2006.

Notary Public

BRIAN SCOTT DAVIS
NOTARY PUBLIC - NOTARY SEAL
State of Missouri
Jefferson County
My Commission Expires May 26, 2008