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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 28th
day of September, 1999.

In the Matter of the Laclede Gas Company's Tariff)
Sheets to Extend and Revise the Company's Gas) Case No. GT-99-303
Supply Incentive Plan.)

ORDER REGARDING REQUEST FOR
CLARIFICATION AND/OR RECONSIDERATION

On September 9, 1999, the Commission issued a Report and Order approving a modified version of Laclede Gas Company's (Laclede) Gas Supply Incentive Plan (GSIP II). On September 14, Laclede filed tariff sheets in order to comply with the Report and Order. The proposed tariff sheets bore an effective date of October 1, 1999. The Staff of the Commission (Staff) filed a memorandum on September 20, which indicated that the Report and Order does not clearly state whether the Fixed Price Component should be included in the GSIP II, and therefore, Laclede's tariff filing did not include a firm Fixed Price Component. Staff stated that the tariff filing is in compliance with the Report and Order and that there is good cause for approval of the tariff sheets on less than thirty (30) days notice. On September 23, the Commission issued an order approving Laclede's tariff filing.

On September 17, 1999, Laclede filed a Request for Clarification and/or Reconsideration. Laclede states that there are two aspects of the

Report and Order which Laclede believes require clarification or reconsideration. The first aspect involves Laclede's proposal to incorporate a Fixed Price Component into its gas procurement incentive. Laclede alleges that it is unclear from the Report and Order whether the Commission approved Laclede's firm Fixed Price Component proposal or a modified version of it. Laclede requests that the Commission clarify its Report and Order in this respect so that it will be able to file compliant tariff sheets.

Laclede's second concern is the Commission's decision to limit the term of the program to one year. Laclede acknowledges the validity of the Commission's reasoning regarding the possibility of energy deregulation legislation during the upcoming legislative session. However, Laclede also notes that the parties and the Commission have devoted substantial resources to preparing, litigating and deciding this case. Laclede believes that no purpose would be served by requiring the Commission and the parties to devote their limited resources to reexamining the issues in this case in one year. Laclede suggests that the appropriate solution is to adopt a tariff provision that explicitly permits the GSIP to be suspended if legislation significantly affecting the program becomes effective. The tariff provision could further provide for the establishment of a subsequent proceeding for the purpose of determining whether the GSIP should be permanently canceled, or continued in some modified form to account for the effect of the legislation. Laclede contends that in the absence of such legislation,

the program should be permitted to continue to operate beyond one year, without the necessity of conducting another proceeding.

Staff filed a response to Laclede's request for clarification and/or reconsideration on September 22. Staff indicates that it does not believe that the Commission needs to reconsider the term of the program specified in its September 9, Report and Order. Staff argues that in addition to the possible legislative change cited by the Commission, the GSIP II makes significant modifications to the prior program, and introduces a new element, the mix of pipeline services. Staff states that the natural gas industry is facing significant change in the next year or so by virtue of substantial new supplies of natural gas becoming available in the Chicago area hub, and Laclede faces renegotiation of a substantial portion of its natural gas transportation portfolio. Staff contends that these factors mitigate in favor of a limited extension of the GSIP II. Staff argues that although consideration of these issues in a contested case setting does require substantial resources from all parties involved, the Commission should bear in mind that the GSIP II involves millions of dollars for both ratepayers and Laclede. The GSIP II merits close examination, particularly in a changing environment.

The Office of the Public Counsel filed an Application for Rehearing on September 20, and on September 21, Missouri Gas Energy (MGE) filed a Motion for Clarification. These two requests will be addressed in separate orders.

The Commission has reviewed Laclede's request for clarification and/or reconsideration and the various other pleadings, and has

determined that the request for clarification regarding the Fixed Price Component is reasonable. The Commission intended the Report and Order to approve Laclede's proposal to add a firm Fixed Price Component as previously discussed. Under this provision, to the extent that Laclede enters into firm fixed price contracts with a price equivalent to or lower than both a) the historical five-year average of gas prices for the applicable winter or summer period; and b) the current market price prevailing during the month or months for which the gas was purchased, the company will share in the savings. Laclede's share of these savings will be based on a sliding scale that begins at 10 percent and increases to 50 percent for savings in excess of \$.40 per MMBtu. Gas volumes covered by the firm fixed price contracts will be excluded from the Gas Procurement Component of the GSIP II. The Commission hereby clarifies that this proposal is approved. Laclede is authorized to file tariff sheets, consistent with this order, implementing this firm Fixed Price Component of the Gas Procurement Component of the GSIP II.

The Commission also concludes that the one-year term provided for in the Report and Order is reasonable and in the public interest, and therefore the Commission will not extend the term as suggested by Laclede. However, the Commission notes that this does not preclude Laclede from asking for a future extension of the GSIP II. Laclede's request for reconsideration regarding the term of the GSIP II is denied.

IT IS THEREFORE ORDERED:

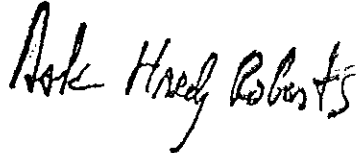
1. That the request of Laclede Gas Company for clarification and/or reconsideration is granted in part and denied in part. The

Commission will clarify the portion of the September 9, 1999, Report and Order regarding the firm Fixed Price Component of the Gas Procurement Component. At this time, however, the Commission will not extend the term of the modified Gas Supply Incentive Plan beyond the one-year term approved in the Report and Order.

2. That the Laclede Gas Company is directed to expeditiously file tariff sheets, consistent with this order, implementing a firm Fixed Price Component to the Gas Procurement Component.

3. That this order shall become effective on September 28, 1999.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

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

Ruth, Regulatory Law Judge

R E C E I V E D

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COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION