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## Missouri Public Service Commission

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February 9, 2000

GORDON L. PERSINGER  
Acting Executive Director  
Director, Research and Public Affairs

WESS A. HENDERSON  
Director, Utility Operations

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Director, Utility Services

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DANA K. JOYCE  
General Counsel

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Case No. GO-2000-394**

**FILED<sup>2</sup>**  
FEB 9 2000  
Missouri Public  
Service Commission

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of a **STAFF MEMORANDUM**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Dennis L. Frey  
Assistant General Counsel  
(573) 751-8700  
(573) 751-9285 (Fax)

DLF/lb  
Enclosure  
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED<sup>2</sup>

FEB 9 2000

Missouri Public  
Service Commission

In the Matter of Laclede Gas Company's )  
Experimental Price Stabilization Fund )

Case No. GO-2000-394

STAFF MEMORANDUM

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and respectfully states as follows:

1. On December 29, 1999, the Staff filed a Motion requesting that the Commission enter and Order opening a docket in the above-captioned case in order to enable Staff to monitor Laclede Gas Company's ("Laclede" or "Company") experimental Price Stabilization Program ("PSP"), which was approved by the Commission in its June 15, 1999 Report and Order in Case No. GO-98-484. The Commission granted Staff's request in its Order Opening Case and Directing Notice, dated January 11, 2000.

2. On January 10, 2000, Laclede filed a Response to the aforementioned Staff Motion, wherein, in addition to requesting that the Commission grant Staff's Motion and issue its standard Protective Order, the Company asked that the Commission adopt a procedure similar to that which it has followed in the past for monitoring Laclede's PSP. Specifically, Laclede requested that it be required to file quarterly reports to the Staff and the Office of the Public Counsel ("OPC"), detailing the type of transactional information previously provided by the Company in connection with the PSP. The Company went on to state its intention to provide Staff and OPC, by February 1, 2000, with a report of its transactions under the PSP through

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December 31, 1999 and requested that the next such report be scheduled for submission "on or before May 1, 2000, and then quarterly thereafter."

3. On January 14, 2000, the Commission issued its Order Granting Protective Order, but deferred a ruling on Laclede's request regarding the submission of quarterly reports until after the expiration of the ten-day period within which other parties could respond.

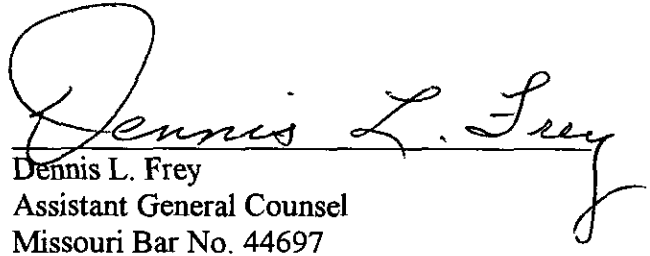
4. Staff filed a Response to the aforementioned January 10th Laclede pleading, indicating that has no objections to the Laclede's above-noted reporting proposals provided that the scope of Staff's review is not limited to an audit of the transactions themselves. Staff requested authority to inquire into supporting documentation as well as other aspects of the program, such as the underlying rationales and strategies.

5. In its February 1, 2000 Order Directing Reports, the Commission adopted Staff's above-noted proviso and ordered the Company, by February 8, 2000, to provide both Staff and OPC with a report of its transactions under the PSP through December 1, 1999. In a letter filed with the Commission on February 8, 2000, Laclede advised the Commission that it had provided said report to Staff and OPC on February 1, 1999.

6. Based on its review of the information submitted by Laclede, Staff hereby submits its Memorandum, attached hereto as Appendix A. In its Memorandum, Staff expresses some concerns about the Company's activities under this experimental program; however, at this time, the concerns are not considered serious enough to warrant a recommendation that the program be terminated or modified.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

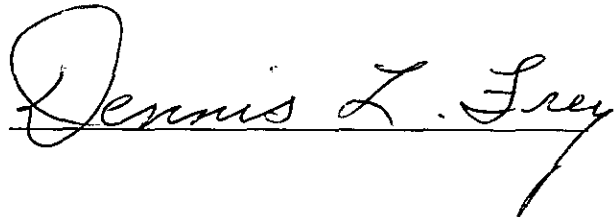


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### **Certificate of Service**

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 9th day of February, 2000.



Dennis L. Frey

MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. GO-2000-394, Laclede Gas Company

FROM: Mike Wallis, <sup>mw</sup> Dave Sommerer <sup>ΔΔ</sup>  
Procurement Analysis Department

R.E. Schellberg 2-8-00 Thomas R. Schwan Jr. 2-9-00  
Utility Services Division/Date General Counsel's Office/Date <sup>2-9-00</sup>

SUBJECT: Staff's recommendation in Case No. GO-2000-394, Laclede Gas  
Company's Experimental Price Stabilization Fund

DATE: February 9, 2000

The Staff has reviewed the price stabilization fund transaction reports submitted by Laclede Gas Company (Laclede or Company) on October 6, 1999 and December 1, 1999 which cover Company's hedging activity through November 1, 1999. Laclede did not purchase or sell any additional financial instruments which affected the fund during December 1999.

The Staff, based on its review, believes that (1) the hedge prices obtained by Laclede are higher than other LDC's in Missouri engaged in hedging activities and (2) Laclede, by hedging several million mmbtu's of gas supply above and beyond what the Company was required to hedge, could have exposed its customers to significant price risk at these higher hedged prices. However, (1) gas prices remained at reasonable levels during the 1999/2000 winter, (2) the amount of gain experienced by Laclede was low, and (3) the Company's Experimental Price Stabilization Fund is in the first year of a three year experimental period. As a result, Staff does not recommend either (1) terminating the program or (2) modifying the program at this time.

CC: Director - Utility Operations Division  
Director - Research & Public Affairs Division  
Director - Utility Services Division  
General Counsel  
Manager - Procurement Analysis Department  
Manager - Gas Department  
Michael C. Pendergast - Laclede Gas Company  
Office of Public Counsel  
Mike Wallis

**Service List for**  
**Case No. GO-2000-394**  
**Revised: February 9, 2000**

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