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March 14, 2001

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MAR 15 2001

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4:17 p.m.
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RE: Case No. GO-2000-394

Missouri Public
Service Commission

Records
Public Service Commission

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of **STAFF'S MOTION TO SUSPEND**.

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,

Thomas R. Schwarz, Jr.

Thomas R. Schwarz, Jr.
Deputy General Counsel
(573) 751-5239
(573) 751-9285 (Fax)

TRS:sw
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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Public Service Commission

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Missouri Public
Service Commission

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

Case No. GO-2000-394

STAFF'S MOTION TO SUSPEND

1. On February 13, 2001, the Commission issued its Order modifying Laclede's Experimental Price Stabilization Program. The Commission shortened the period during which Laclede could opt out of the price protection program from 90 to 60 days, and directed Laclede to augment the fund with \$4,000,000 "of its own funds".

2. Laclede filed tariff sheets on February 23, 2001, purportedly in compliance with the Commission's Order.

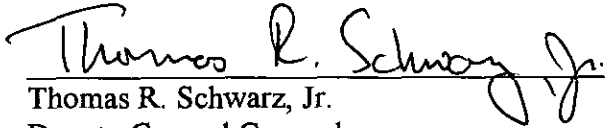
3. Staff has reviewed the compliance tariff, and concludes that the tariff sheets are not in compliance with the Commission's Order. The reasons for Staff's position are set out in the Staff Memorandum attached as Attachment A.

4. Because the tariff sheets do not comply with the Commission's Order, Staff moves that the Commission suspend the tariff sheets until the Commission can fully consider the matter.

WHEREFORE, Staff moves the Commission to suspend Laclede's tariff sheets filed on February 23, 2001, until the Commission has further considered the matter.

Respectfully submitted,

DANA K. JOYCE
General Counsel

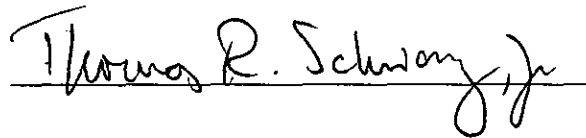


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Certificate of Service

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 14th day of March, 2001.



M E M O R A N D U M

TO: Missouri Public Service Commission Official Case File,
Case No. GO-2000-394, File No. 200100869, Laclede Gas Company

FROM: ^{WW} Thomas Imhoff, Gas Department - Tariffs/Rate Design
David Sommerer, ^{DS} Procurement Analysis Department

Wes Headen 3-14-01 Thomas R. Schwan, Jr. 3/14/01

Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation On Laclede's Tariff Sheets Filed to Comply with
the Commission's Order Modifying The Experimental Price
Stabilization Program

DATE: March 14, 2001

On February 13, 2001, the Commission issued its Order Modifying The Experimental Price Stabilization Program (Order) in Case No. GO-2000-394. This Order modified the existing Price Stabilization Program (PSP) shortening the 90-day window to 60 days and directing Laclede Gas Company (Laclede or Company) to contribute an additional \$4 million of its own funds to the \$4 million that is currently authorized to purchase instruments for price protection.

Laclede filed tariff sheets on February 23, 2001 to comply with the Order.

In its letter of transmittal accompanying the February 23, 2001 compliance filing, Laclede stated an effective date of March 26, 2001, which is more than the standard 30 day period, and claimed that the tariffs were "filed in compliance" with the Commission's Order in Case No. GO-2000-394.

The Commission's Gas Department - Tariffs/Rate Design and Procurement Analysis Department (Staff) believes that Laclede's filing is not in compliance with the Commission's Order. The Staff believes that the filing is not in compliance and should be suspended for the following reasons:

1. Laclede's proposed tariff language does not reflect the language of the Commission's order. The Commission's order stated that Laclede would contribute \$ 4 million of its own funds to increase the funds available to purchase price protection for the winter of 2001/2002. Laclede has replaced the Commission's language, "its [Laclede's] own funds" with its own language to insulate itself from any Commission review of its PSP at any time to the extent of the \$4 million:

"the amount that the Company is entitled to retain, and would otherwise retain, as part of its share of the savings achieved during the second year of the Program under the Overall cost Reduction Incentive. Use of this \$4 million contribution to fund the increase the MRA shall constitute a final disposition of this amount for ratemaking purposes and no other adjustment shall be made to the Company's rates, either directly or indirectly, to flow through or otherwise credit this amount to Laclede's customers."

Laclede's proposed language does not effectuate the Commission's order.

Attachment A

2. The Company's language modification is significant, circumvents the Commission's procedural processes, and is detrimental to its customers because:

a. Company's proposed tariff language precludes the Staff and the Office of Public Counsel from bringing to the Commission's attention issues related to Laclede's preliminary profit estimate of the monies that the Company may seek to recover in its future Actual Cost Adjustment (ACA) filing for the winter of 2000/2001. Laclede seeks final, conclusive Commission approval of \$ 4 million of its preliminary profit estimate before it even makes a filing to claim any of these monies.

b. Laclede's language contravenes the Commission's recent order regarding Laclede's ACA filing for the winter of 2000/2001. The Commission has specifically rejected the suggestion that a portion of the future ACA filings and related audits be isolated and examined separately from the other elements of the ACA filing. The existing ACA process is to be maintained and followed. In Case No. GR-2001-387, regarding the Company's 2000-2001 Actual Cost Adjustment, the Staff suggested separately identifying and expediting the review of a specific ACA issue (hedging) in a separate case. The Commission stated in its February 27 Order that "The Commission has determined that the best way to proceed is within the context of the existing ACA process."

3. Staff's analysis of the available data indicates that the Company did not achieve an overall cost reduction of the Price Stabilization Program (PSP). Current data indicates that Laclede purchased call options on worse terms and at a higher cost than contemplated under the program. Laclede's trading activity did not reduce the cost of the program. Staff's current estimate is that Laclede's trading activity resulted in a net loss of over \$ 5 million. After Laclede files to claim PSP gains in its ACA, and provides a complete and substantiated explanation, Staff will be able to analyze the Company's position that it achieved customer savings given the results shown by present information.

4. Staff intends to review in the ACA case the appropriate methodology of the cost reduction portion of the PSP once Laclede decided to opt out of the price protection provisions contained in the PSP. Staff questions whether Laclede can claim cost reduction savings by simply not providing the price protection contemplated under the PSP.

5. Staff proposes that the Commission make no finding regarding any portion of Laclede's future ACA filing at this time. Staff recommends that the Commission:

- a. suspend the proposed tariff,
- b. require the parties to establish a procedural schedule while attempting to reach a resolution of the current issues, and

c. not approve a \$4 million adjustment before the completion of the normal ACA review of Laclede's future filing.

Laclede's proposed tariff language adds \$ 4 million to the Company's "own funds", while precluding Commission review of that amount of claimed PSP benefits in Laclede's future ACA filing. The Commission's order clearly states its understanding that the \$4,000,000 contribution is to come from Laclede's own funds. The Staff would recommend approval of a tariff that contains such language. The amount of ratepayer money that Laclede can add to "its own funds" should and will be decided at the conclusion of Laclede's upcoming ACA filing scheduled for October 2001. Staff will support tariff language that preserves ACA issues for that proceeding, and has so indicated to Laclede.

The Staff has reviewed the tariff sheets as filed by Laclede on February 23, 2001 and is of the opinion that these sheets are not in compliance with the Commission's Order. Therefore, Staff recommends that the following tariff sheets filed on February 23, 2001 be suspended:

P.S.C. MO. No. 5

4th Revised SHEET No. 28-e Cancelling 3rd Revised SHEET No. 28-e
Original SHEET No. 28-e.1

Service List for
Case No. GO-2000-394
Revised: March 14, 2001 (SW)

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