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July 21, 2000

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

FILED

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Missouri Public
Service Commission

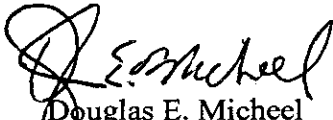
**RE: Laclede Gas Company,
Case No. GO-2000-394**

Dear Mr. Roberts:

Enclosed for filing in the above referenced case, please find the original and 8 copies of **Public Counsel's Response to Laclede's Application for Authorization to Implement Temporary Revisions to Price Stabilization Plan**. Please "file stamp" the extra enclosed copy and return it to this office. I have on this date mailed, faxed, or hand-delivered the appropriate number of copies to all counsel of record.

Thank you for your attention to this matter.

Sincerely,


Douglas E. Micheel
Senior Public Counsel

DEM:kh

cc: Counsel of Record

Enclosure

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

FILED

JUL 21 2000

Missouri Public
Service Commission

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

Case No. GO-2000-394

**PUBLIC COUNSEL'S RESPONSE TO LACLEDE'S APPLICATION
FOR AUTHORIZATION TO IMPLEMENT TEMPORARY REVISIONS
TO PRICE STABILIZATION PROGRAM**

COMES NOW, the Office of the Public Counsel ("Public Counsel") and in response to the Application for Authorization to Implement Temporary Revisions to Price Stabilization Program ("Application") filed by Laclede Gas Company ("Laclede") on July 7, 2000 states as follows:

1. On July 7, 2000 Laclede filed its Application to modify on a temporary basis certain provisions of its Price Stabilization Program ("PSP"). For the second year of the program only Laclede seeks the authority to make the following modifications:

- Increase to ten (10) million dollars, plus transaction costs, the Maximum Recovery Amount (MRA) established in Case No. GO-98-484;
- Not require Laclede to obtain financial protection for the upcoming winter heating season in an amount equal to 70% of Laclede's normal flowing supply requirements for the months of November through March;
- Specify that financial protection may, at the Company's election, be procured in the same or varying quantities for each month, including zero for certain months; and
- Authorize Laclede to expand the type of financial instruments it may procure to include both collar arrangements and fixed price instruments, with the condition that Laclede be authorized to flow through to its customers pursuant to its PGA clause all realized gains and losses associated with such instruments.

(Application ¶6)

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2. Over the objections of Staff and Public Counsel the Price Stabilization Program was approved by the Commission by a 3 to 2 vote. (Report and Order GO-98-484 p. 10 Ordered ¶1). Specifically, the Commission directed Laclede "to file a revised Price Stabilization Program which clearly embodies the modifications found in the Alternative B plan and includes the changes proposed by Laclede in its posthearing briefs." (Report and Order GO-98-484 p. 9).

3. After careful consideration of the facts and current conditions Public Counsel believes that the Commission should reject Laclede's Application. Public Counsel offers the following reasons for rejecting Laclede's proposal:

- Laclede requested and was granted approval for this program. The program is operating as Laclede designed it to operate.
- Pursuant to the current program Laclede had nearly two months to get into the market and procure the appropriate amount of protection at or under the TSP established per the program. Laclede during that two month period chose not to procure that protection.
- Pursuant to the program Laclede still has over three months to procure the protection required by the terms of the program. Market prices could change during this time period. The program was designed to allow Laclede March through October to obtain protection.
- Laclede's request to modify the program represents yet another increase in rates to Laclede's captive customers. This increase if allowed would be coming on the heels of Laclede's recent significant PGA increase and right before Laclede's winter PGA filing that would yet again increase customer rates.
- In its Application Laclede requests pre-approval to take certain actions to procure its gas supply at just and reasonable rates. The Commission should not be involved in such extensive pre-approval. Public Counsel believes the Company should manage its gas supply in a prudent manner and not seek Commission pre-approval to make everyday business decisions. Public Counsel is aware of other gas utilities in Missouri currently utilizing the exact measures Laclede seeks pre-approval for to mitigate gas supply risks.

4. Public Counsel believes the Commission should direct Laclede to comply with the provisions of its currently approved program.

5. Public Counsel requests the Commission open a separate docket to review the operation of this program. Laclede's tariff P.S.C. Mo. No. 5 con. Original Sheet No. 28-g provides:

7. Term – the Incentive Price Stabilization Program shall apply to the procurement and liquidation of certain financial instruments for the three heating seasons commencing with the 1999/2000 season. The Commission retains the right, but not the obligation, to review the Program annually and, if necessary, to revise it to correct any major deficiencies on or before February 15, of each year of the Program.

Public Counsel remains concerned that the ability to profit from the operation of this program may have given Laclede the incorrect incentive and detracted from the main goal of the PSP, providing protection to captive customers from the volatility of the natural gas market. As noted by Chair Lumpe and Commissioner Schemenauer in their dissent in GO-98-484:

Thus the purpose of the Price Stabilization Fund is changed from protecting ratepayers from radical price fluctuations, to attempting to make a speculative profit for Laclede's shareholders through the trading of financial instruments. Laclede proposes to share a portion of these profits with its ratepayers, presupposing that there will be profits. In the meantime the ratepayers are endangered by the downside risks associated with the financial speculation proposed by Laclede.

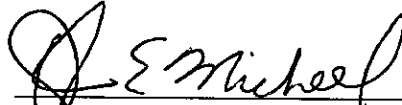
6. By opening a docket now the Commission can consider appropriate modifications or the elimination of certain components of the PSP. Opening a docket will also allow the Commission and other interested parties the ability to review the operation of the program to date.

WHEREFORE: Public Counsel requests the Commission deny Laclede's Application and Order that a docket be opened to review the operation of this program.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

BY:



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been faxed, mailed or hand-delivered to the following counsel of record on this 21st day of July, 2000:

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