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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's	)	
Purchased Gas Adjustment for 2007-2008	)	**Case No. GR-2008-0387**

RESPONSE TO STAFF STATUS REPORT

COMES NOW Laclede Gas Company (hereinafter "Laclede" or "Company") and submits its Response to Staff's August 31, 2011 Status Report (the "Status Report"), stating as follows:

1. In paragraphs 1 and 2 of the Status Report, Staff cites a representation Laclede made on January 14, 2011 regarding updating a study relating to its baseload and swing gas supply. Staff acknowledges that Laclede provided an analysis of baseload and swing volumes on July 19, 2011. However, Staff's discussion implies that Laclede's analysis was lacking in detail and fell short of Laclede's January 14 commitment.[1]

2. Staff is mistaken. Laclede promised to look into an analysis of volumes of baseload and swing supply needed to meet varying weather scenarios. Laclede delivered more than promised, because it not only looked into doing such an analysis, it actually performed the study and provided the results to Staff.

3. Staff's selective quotation in the Status Report misstates Laclede's representation and Staff also appears to have misunderstood the data provided. Laclede is filing this response to correct these matters and to clarify to the Staff and explain to the Commission how Laclede establishes its baseload and swing purchases.

[1] Laclede was not aware that Staff believed the July 19 data to be deficient until Laclede read the Staff's August 31 Status Report

BACKGROUND

4. In its December 31, 2009 Recommendation, Staff repeated its suggestion from other recent ACA cases that Laclede update its justification for its gas supply planning by showing how baseload, combo and swing supplies are structured to account for cost (e.g. reservation charges) while assuring that volumes are adequate to meet MRT storage tolerances, and warm and cold winter requirements.

5. In February 2010, Laclede again responded that it understood the auditor's desire to have something more mechanical to review, but that Laclede's supply decisions are based on the relative advantages the Company discerns from the various RFP responses it receives. There are simply too many variables **_____

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_____** In essence, the formula sought by Staff is in the *approach* Laclede takes to the process; that is, issuing RFPs (as previously recommended by Staff) and then evaluating the responses with a goal of obtaining supplies that are both adequate and cost effective.

6. Laclede has not taken the basic approach of simply picking a winner from the RFPs received. While this approach by itself would be prudent, **_____

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7. On December 1, 2010, Staff filed a status report in which it basically repeated its recommendation. In two separate paragraphs, Staff suggested first, that

Laclede should perform an analysis of volumes required for baseload and swing gas to meet varying weather conditions; and second, that Laclede evaluate the costs of its combination and swing supplies, including demand charges.

8. Laclede responded on January 14, 2011. Laclede referred to Staff's interest in "an analysis of the volumes of baseload and swing needed to meet varying weather conditions." Laclede represented that it would look into such an analysis prior to issuing its RFP this summer and share its results with Staff. Laclede added that it continued to believe that its method of handling RFP responses as described above is appropriate.

9. In essence, Laclede agreed to look at its volumes of baseload and swing to meet varying weather conditions, but again, because of its proactive approach to RFP responses, Laclede felt it was not feasible, much less useful, to try and evaluate costs in advance of receiving proposals. Thus, Staff's statement that Laclede had agreed to perform an analysis of both volumes and costs is mistaken. Furthermore, Staff's belief that cost data should have been provided by Laclede at this stage is inconsistent with Staff's statement in Staff's first status report which stated:

> Laclede's evaluation of the costs of the supply, including demand charges, should be included in its evaluation of its supply options, and such evaluation should be provided to Staff during the ACA process. [emphasis added]

Thus, any cost data should not have been expected by the Staff until it conducted its ACA audit for the 2011/2012 heating season.

LACLEDE'S ANALYSIS

10. Laclede did in fact update its analysis of baseload and swing volumes needed to meet certain weather conditions and provided this analysis to Staff on July 19,

2011. While Staff appears to infer that the information provided in one spreadsheet was somehow lacking, this excel file contained all of the data necessary to the analysis.

11. Further, Staff states that the spreadsheet does not explain how Laclede considers varying weather conditions. In response, and to assist the Commission and Staff in understanding Laclede's approach to purchasing gas supply, an explanation is provided below.

12. The information provided to Staff on July 19 showed Laclede's sendout data for the past ten years (2001-2011). From this data, Laclede determined sendout under a warm weather scenario and under normal conditions.

13. Laclede contracts for four types of firm gas supply: (i) baseload, **__

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14. Baseload supply comes with no demand charges, but the amount selected must be taken by Laclede on a daily basis. Therefore, Laclede determines usage based on extremely warm weather, and contracts for baseload supply based on that weather scenario.

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19. Thus, Laclede plans to buy baseload gas for a warm weather scenario, ** _____

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_____ ** when the Staff asserted a disallowance against the Company on the theory that it was buying too much swing gas and paying too much in demand charges. While Laclede prevailed in this matter, ** _____

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20. In summary, Staff's implication that Laclede delivered less than it promised in its January 14, 2011 pleading is mistaken. Laclede performed an analysis of its sendout over the past ten years to determine appropriate **_____ _____** purchases under varying weather conditions. Laclede looked at a warm weather scenario for purposes of purchasing baseload gas, **_____ _____**

21. Cold weather scenarios continue to be analyzed through the Company's annual reliability report. The reliability report, along with current market conditions, are utilized **_____ _____ _____ _____ _____**

WHEREFORE, Laclede respectfully requests that the Commission accept this Response to Staff's Status Report.

Respectfully submitted,

/s/ Michael C. Pendergast
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CERTIFICATE OF SERVICE

Gerry Lynch hereby certifies that the foregoing pleading has been duly served upon the General Counsel of the Staff of the Public Service Commission and the Office of the Public Counsel by hand delivery, email, fax, or United States mail, postage prepaid, on this 13th day of September, 2011.

/s/ Gerry Lynch
Gerry Lynch