*Exhibit No.:*
*Issue:* *GSIP, Off-system Sales, and Capacity Release*
*Witness:* *David M. Sommerer*
*Sponsoring Party:* *MoPSC Staff*
*Type of Exhibit:* *Direct Testimony*
*Case No.:* *GR-2007-0208*
*Date Testimony Prepared:* *May 04, 2007*

# MISSOURI PUBLIC SERVICE COMMISSION

# UTILITY SERVICES DIVISION

# DIRECT TESTIMONY

# OF

# DAVID M. SOMMERER

# LACLEDE GAS COMPANY

# CASE NO. GR-2007-0208

*Jefferson City, Missouri*
*May 2007*

** **Denotes Highly Confidential Information** **

**NP**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Laclede Gas Company's )
Tariff to Revise Natural Gas Rate Schedules ) Case No. GR-2007-0208

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI )
) ss.
COUNTY OF COLE )

David M. Sommerer, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 21 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

David M. Sommerer

Subscribed and sworn to before me this 30th day of May, 2007.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

ASHLEY M. HARRISON
My Commission Expires
August 31, 2010
Cole County
Commission #06898978

Notary Public

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**OF**

**DAVID M. SOMMERER**

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**DIRECT TESTIMONY**

**OF**

**DAVID M. SOMMERER**

**LACLEDE GAS COMPANY**

**CASE NO. GR-2007-0208**

Q. Please state your name and business address.

A. David M. Sommerer, P.O. Box 360, Jefferson City, MO. 65102.

Q. By whom are you employed and in what capacity?

A. I am the Manager of the Procurement Analysis Department with the Missouri Public Service Commission (Commission).

Q. Please describe your educational background.

A. In May 1983, I received a Bachelor of Science degree in Business and Administration with a major in Accounting from Southern Illinois University at Carbondale, Illinois. In May 1984, I received a Master of Accountancy degree from the same university. Also, in May 1984, I sat for and passed the Uniform Certified Public Accountants examination. I am currently a licensed CPA in Missouri. Upon graduation, I accepted employment with the Commission.

Q. What has been the nature of your duties while in the employ of the Commission?

A. From 1984 to 1990 I assisted with audits and examinations of the books and records of public utilities operating within the state of Missouri. In 1988, the responsibility for conducting the Actual Cost Adjustment (ACA) audits of natural gas utilities was given to

the Accounting Department (now referred to as the Auditing Department). I assumed responsibility for planning and implementing these audits and trained available Staff on the requirements and conduct of the audits. I participated in most of the ACA audits from early 1988 to early 1990. On November 1, 1990, I transferred to the Commission's Energy Department. Until November of 1993, my duties consisted of reviews of various tariff proposals by electric and gas utilities, Purchased Gas Adjustment (PGA) reviews, and tariff reviews as part of a rate case. In November of 1993, I assumed my present duties of managing a newly created department called the Procurement Analysis Department. This Department was created to more fully address the emerging changes in the gas industry especially as they impacted the utilities' recovery of gas costs. My duties have included managing the five member staff, reviewing ACA audits and recommendations, participating in the gas integrated resource planning project, serving on the gas project team, serving on the natural gas commodity price task force, and participating in matters relating to natural gas service in the state of Missouri. In July of 2006, the Federal Issues/Policy Analysis Section was transferred to the Procurement Analysis Department. That group analyzes filings made before the Federal Energy Regulatory Commission (FERC).

Q. What knowledge, skill, experience, training or education do you have in these matters?

A. I have been assigned and testified in many PGA and ACA proceedings. I have reviewed numerous ACA filings and have evaluated the purchasing practices of various Local Gas Distribution Companies (LDCs) in Missouri. I have also attended conferences and seminars related to the natural gas futures market and other natural gas issues.

Q. Have you previously testified before this Commission?

A. Yes. A list of cases and issues in which I have filed testimony is included as **Schedule 1** of my testimony.

Q. Did you make an examination and analysis of the books and records of Laclede Gas Company (Company, Laclede, Laclede Gas) in regard to matters raised in this case?

A. Yes. I have examined these records in the context of the issues I am addressing in this case.

## EXECUTIVE SUMMARY

I am sponsoring the Staff's position regarding Laclede's Gas Supply Incentive Plan (GSIP), and ratemaking treatment of off-system Sales (OSS) and capacity release credits. I have primarily focused on the Company's GSIP and history of OSS and capacity release.

Below, I provide an overview of Laclede's exiting GSIP, and recommendations on any modifications to the GSIP, as well as provide the Staff's position on OSS and capacity release for this case.

The goal of an incentive plan is that the Company achieves results for customers above what the Company would achieve without an incentive. The benefits of those extraordinary results are shared between the company and the customer, with the customer receiving an overall benefit. Laclede has a history of Gas Supply Incentive Plans which, in Staff's experience, have not resulted in overall benefits to customers. It is a challenge to design a GSIP that is actually based on a level of performance that is unusual enough to warrant sharing between the Company and its customers, and is not based on luck, general market conditions, or some measure that may be inaccurate.

Staff is recommending that no GSIP be approved for the following reasons: 1) there is no reason to believe that past GSIPs have provided any substantial benefit to customers; 2) if

there are limited, or no customer benefits, but Laclede receives a "reward" for meeting a benchmark, Laclede is simply profiting from the sale of natural gas instead of profiting solely from the delivery of natural gas; and 3) determining an appropriate performance measure or benchmark has proven to be difficult.

For example, the current GSIP's gas supply benchmarks are outdated, and don't provide an accurate assessment of how gas is actually sourced by Laclede. In fact, it is unclear whether the benefits of the existing GSIP exceed the costs. That is the reason Staff is recommending discontinuation of the existing GSIP. One of the main concerns here is the questionable impact that the GSIP is having on real hedge protection. One of the most difficult things to explain is the potential inconsistency that exists when customer's natural gas prices are at record highs but customers are still paying rewards to the Company. The current GSIP is designed to mitigate upward price volatility. Even with the existing GSIP feature that curtails Company rewards during high price periods, the fact that a GSIP is still in place might leave the mistaken impression that Laclede is mitigating upward volatility when, in fact, PGA price spikes are a very real possibility. These are the reasons that, if the Commission chooses to continue the existing GSIP, it should leave the existing limits in place and update the gas supply indexes.

Below I also address rate treatment of OSS and capacity release, proposing that it should be moved back into the PGA clause. Producer demand charges and fixed capacity charges are key factors in making these items possible. Those charges are recovered in the PGA, and that is where the cost reductions associated with those transactions should go. In addition, in accord with the Stipulation And Agreement in Case No. GR-2005-0284, the

amounts of OSS and capacity release over the $12 million threshold should be returned to the customer in this rate case.

Affiliate transactions between Laclede Gas Company and Laclede Energy Resources, Laclede's natural gas marketing company, are relevant to this case if Laclede has the opportunity to shift revenues to LER, and should be subject to additional review because ** _____ _____ **.

I also recommend that any monies that Laclede receives pursuant to claims filed in the NYMEX natural gas class action lawsuit filed in New York should be flowed back to the customer as a credit to gas costs in the ACA.

## BACKGROUND OF THE CURRENT GSIP

Q. Please provide a background of the current GSIP?

A. At the start it would be helpful to walk though a quick hypothetical example of how the GSIP works, illustrating the concepts of benchmarks, tiers, limits, etc.

The current GSIP has a conceptual history going back as far as 1996. The basic concept was to set an independent benchmark of market based prices and then reward the Company for beating those prices. In 2002, the Office of Public Counsel (OPC) proposed certain modifications to the historical model, setting limits within a tier system. Here is a table that provides the current tiers:

| | **Tier levels** |
|---|---|
| Tier 1 | Less than or equal to $4/MMBtu |
| Tier 2 | Greater than $4/MMBtu and less than or equal to $7.50/MMBtu |
| Tier 3 | Greater than $7.50/MMBtu |

A benchmark of various supply area prices is calculated on an MMBtu basis. Laclede's actual gas commodity prices are also developed on an MMBtu basis. Each price is necessary in order to determine where in the grid (tier levels), the Company falls. If the benchmark is $3.50, there is automatically zero sharing because one of the parameters is that very low benchmarks represent a low market price environment where incentive rewards are not given. In another example, if the actual gas commodity price is $8.00/MMBtu, no reward is given because actual prices are deemed to be too high (Tier 3).

Q. How does the current tier system work?

A. The immediate predecessor to Laclede's current GSIP was placed into effect in late 2002. This GSIP was the product of a Stipulation And Agreement from Case No. GR-2002-356, a Laclede general rate proceeding. The basic idea behind the incentive was to encourage the Company to source and order (nominate) gas from the least expensive supply areas, which at the time was the mid-continent supply area, consistent with reliable operations. To determine if a reward for superior performance was warranted, the parties developed a cost-of-gas benchmark which was derived from the various supply areas tied to Laclede's transportation agreements. ** _____

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This metric or benchmark was based upon the first of month (FOM) index concept of pricing. Through the GSIP, Laclede was provided an incentive to beat this benchmark.

Index pricing is a common practice used by LDCs to set the commodity price for natural gas that it buys from producers/markets. An index for FOM would be found by referring to a recognized industry publication that publishes indices for various locations throughout the country. The FOM is established each month and represents a sampling during "bid-week", the last few days prior to the beginning of the month the gas flows, of actual transactions for natural gas at a specific location. The index is not known until early in the month, when it is published and the gas is scheduled to flow. A FOM index simply means that the price is established for one month. The index therefore changes early each month and is the price for gas that flows for that particular month. A long-standing practice, that even predated this particular GSIP, was to use "actual purchases" to weight the basket of FOM index prices so that actual volume levels were an integral factor in deriving the GSIP benchmark.

Q. What additional features did the 2002 GSIP contain?

A. The benchmark itself was developed using index prices that were designed to represent market prices for a certain mix of supply areas. The costs to which the benchmark was compared was to be "the total commodity cost of natural gas supplies purchased for on-system consumers, inclusive of the cost and price reductions associated with the Company's use of financial instruments…" (See Laclede tariff, First Revised Sheet No. 28 – b.1)

Q. What is the significance of these definitions?

A. The definition of commodity costs of natural gas supplies includes various types of gas supply that Laclede purchases for on-system customers. Therefore, daily priced gas, spot gas, fixed priced gas and FOM gas is all considered in the comparison to the benchmark. This means that any time daily priced gas is below the FOM price, any Laclede

purchases of daily priced gas will beat the benchmark. In addition, hedging gains and losses are also considered and compared against the FOM benchmark.

Q. Why is this important?

A. The goal of hedging is to mitigate upward price volatility. Hedges that were placed well in advance of winter could either yield large reductions to gas costs or large increases to gas costs. Thus, there is always a "hedge effect" that could move the Company towards more incentive savings or just as easily move the Company further above the benchmark and decrease any incentives. The idea of including the "hedge effect" in the actual cost of gas was to recognize that hedges really are part of the cost of gas. The effect of removing the hedge effect would be to isolate the gas supply costs from anything but short-term market based pricing. To repeat, the hedge effect is not incorporated into the benchmark, but is included in the cost of gas that is compared to the FOM benchmark. Therefore, hedges that result in gains have the potential of increasing Company rewards. Hedges that result in losses have the potential of decreasing the Company rewards.

One of the goals of the GSIP was to reduce the impact of upward natural gas commodity price volatility on the Company's customers. If hedging was included, any fixed pricing or use of financial instruments could, in theory, result in incentive savings. This was further emphasized by the creation of "tier levels."

Q. How does the tier level provision work?

A. Generally speaking, there were three tiers that were developed to attempt to make the incentive sharing consistent with common sense views as to what should be considered successful achievement so that a reward or sharing of that achievement was reasonable. The benchmark and the actual commodity cost of gas were calculated as unit

rates and then subjected to a comparison with the tier levels. When the index benchmark was below Tier 1, gas costs were considered relatively low, and therefore efforts to reduce them beyond already low levels were not rewarded. So the benchmark had to fall within the higher tier 2 and tier 3 levels, where the gas market was considered sufficiently high to consider rewards. If the actual commodity costs exceeded tier 2 levels, and fell into tier 3, the actual cost being passed through to the customer would be at relatively high levels, and therefore rewards would be curtailed.

Q. How did the GSIP change in 2005?

A. Effective with the Stipulation And Agreement in Case No. GR-2005-0284, the tier prices were readjusted. There were also some slight adjustments to the FOM benchmarks. The tiers were adjusted to recognize the increased price environment, and resulted in a tier 3 limit of greater than $7.50.

Q. What are some of the other elements related to the operation of the current GSIP?

A. The Company shares 10% of the savings up to $5 million and then 1% for any remaining savings. In addition, in both the 2002 and 2005 rate cases, prudence reviews were not precluded regardless of the performance of the GSIP.

## EVALUATION OF THE CURRENT GSIP

Q. How has the current GSIP performed since October of 2002?

A. The current GSIP can be evaluated both from a quantitative and qualitative standpoint. ** _____

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Q. What are some of the qualitative observations you would make regarding the current GSIP?

A. The fact that the parties used FOM to develop the benchmark does not indicate that FOM is necessarily a standard to be held in high regard. In fact, the FOM price itself has been the subject of scrutiny from the Federal Energy Regulatory Commission (FERC) and the Commodity Futures Trading Commission based upon allegations of trade and price misreporting to the newsletters, such as *Inside FERC* that develop the indexes. Another concern with use of index prices is that they are not capped from market exposure and, unless FOM prices themselves are effectively hedged, FOM is subject to massive increases (or decreases) from month to month. As an example, if there was no significant hedging in place, ** _____

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From the standpoint of fairness to the Company and its customers, it is difficult to explain why Laclede would receive GSIP rewards in that kind of increasing price environment, absent extraordinary performance. This further attests to the fact that prudence reviews must remain in place in any GSIP format. In other words, just because the Company is able to buy gas at or below FOM index prices, doesn't mean they were prudent in doing so or that customers actually benefited in any way. It lends further credence to the idea of inclusion of caps and tiers in a gas cost incentive arrangement, where sharing levels are curtailed.

Q. Do you have other observations about the current GSIP?

A. Yes. One of the GSIP's stated goals is to encourage mitigation of upward price volatility. Hedging results, both gains and losses, are flowed through the GSIP calculation and can increase or decrease the Company's share of GSIP savings depending upon the outcome of the hedges. When hedges are in place, and there are high winter prices in comparison to the hedged prices, there is mitigation of upward price volatility. However, in that same high priced environment, the benchmark can easily exceed the tier levels that allow sharing of GSIP savings.

Hedging losses occur when winter prices are lower than hedged prices. Just as natural gas prices are impossible to predict, hedge gains and losses are impossible to predict, making it difficult to design an effective GSIP. In fact, that difficulty is exacerbated because fixed priced contracts and traditional futures contracts can amplify the difference between FOM market pricing and the actual net prices achieved. ** _____ _____ **

Q. Please comment on the Company's hedging practices as they relate to the GSIP.

A. Generally speaking, ** _____ _____ _____ _____ _____ _____ _____ **

Q. What activities should be used to determine GSIP rewards?

A. The effectiveness of the Company's hedging program in reducing volatility is an important factor.

Q. Do you find the Company's hedging practice to be particularly transparent and easy to explain in terms of absolute price mitigation?

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Q. Can you provide an example?

A. Yes. A traditional call option illustrates the point. The purchase of a call option is analogous to buying car insurance. The call option provides protection against upward price increases but the purchaser must pay a premium to obtain this protection. The higher the ceiling price (also called a cap or strike price) the less protection is received, but a lesser premium is required. Purchasers of call options have the right, but not the obligation, to buy gas at the strike price. Therefore, if the gas market drops, the holder of the call option simply lets the option expire. If the gas market rises above the strike price, there is gain available to help offset the rising gas costs. If a relatively high strike price is set, protection against increases in market prices is only available above the strike price. Because of the nature of the call option, there is downside participation in market price decreases. In terms of the GSIP, if there was already a built in bias or likelihood that Laclede's actual sourcing of

FOM supply would beat the market based predetermined basket of FOM indexes, there might be an ** _____ **.

Q. ** _____ _____ **

A. ** _____ _____ _____ _____ _____ **

Q. Has Laclede claimed that FOM pricing is a type of hedge?

A. Yes, Laclede has made this argument in various proceedings. Indeed, the price of an FOM contract is "fixed" for 30 days. If hedging is designed to reduce upward price volatility, with FOM, the price itself is not known until the month the gas will flow, and certainly is capable of extensive price volatility. To illustrate the difficulty that Staff has with calling FOM pricing a hedge, envision a situation where FOM prices rise to $20/MMBtu and the PGA factor of an LDC with 100% FOM gas rises to a similar level. The LDC is then asked what percentage of gas is hedged, and the answer of someone who views FOM as a hedge…100%. Assume another situation where an LDC uses ** _____ _____ _____ _____ _____

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Q. Please describe **Schedule 2**?

A. Schedule 2 charts over ten years worth of PGA rate experience for Missouri's largest LDCs. The charts show PGA rates for Laclede, Missouri Gas Energy (MGE), and AmerenUE's central system. For many years, Laclede was a lower cost LDC. Laclede's local storage operations and propane facilities are not recovered through the PGA and therefore are not part of the PGA rates shown in this graph. It is clear that Laclede's and MGE's PGA rates are more volatile than AmerenUE's rates. It is also clear that extensive price spikes in the FOM market resulted in fairly dramatic impacts on the PGA rates of Laclede and MGE. ** _____

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Q. Do you have additional observations about the current GSIP?

A. Yes. A National Regulatory Research Institute (NRRI) report published in November of 2006, reviewed the characteristics of several GSIPs from various states, including Missouri. One of the conclusions was that the use of "actual purchases" to derive a benchmark was not a good design element. The argument was that any benchmark should be exogenous or completely independent from control of the LDC. FOM prices are independently calculated and not under Laclede's control. Laclede does have some control over the timing of its actual purchases for a particular month because of storage flexibility. The argument is that any control over the benchmark is a design flaw that should be rectified through the use of normal and optimal purchasing patterns. As mentioned previously, it has been a long-standing practice to use "actual volumes" in both the benchmark weighting and

the actual costs achieved in order to isolate the incentive to differences between the predetermined basket of FOMs and the actual prices paid by Laclede.

Q. What other comments do you have regarding the GSIP?

A. Staff has not had adequate information to evaluate the actual performance of Laclede's GSIP. The existence of a GSIP has not had any beneficial impact on the quality of the documentation kept by Laclede to support its purchasing decisions. ** _____ _____ _____ _____ **

**RECOMMENDATIONS REGARDING GSIP**

Q. What is Staff's recommendation regarding continuation of the GSIP?

A. The primary recommendation is to discontinue it, based upon the above observations. These observations include a question about whether the GSIP is achieving its intended goal of reducing upward price volatility, whether documentation about strategic decision making has improved, and whether the FOM targets are too easily achieved. If the Commission chooses to extend the GSIP, the FOM benchmark percentages should be updated to better reflect supply utilization. The table below shows Staff's recommended percentages ** _____ **:

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In addition, tier levels, caps, and sharing percentages should remain the same. Prudence reviews should be applicable in all circumstances.

## CAPACITY RELEASE AND OFF-SYSTEM SALES

Q. Please describe capacity releases and off-system sales (OSS).

A. Capacity releases occur when an LDC has acquired pipeline capacity from an interstate pipeline and temporarily does not need the capacity to meet its customers needs. This can occur because capacity is often contracted for in order to meet expected demand for especially cold time periods, which may occur once in a thirty year period, but parts of that capacity will be idle during the summer, spring and fall or during normal or milder weather conditions. The releases can often be done on a recallable basis where the releasing shipper has rights to retrieve the capacity if needed. Capacity releases result in credits on the pipeline invoices to the LDC, effectively reducing the cost of reserving pipeline capacity. The operation of the capacity release market is subject to FERC rules. Laclede would not be able to receive any benefit from capacity releases without the contracted pipeline capacity, the costs of which are passed through the PGA clause and paid by customers.

Q. Please provide a description of what off- system sales (OSS) are.

A. Off-system sales occur when a LDC makes a sale of gas to a customer "off-system." The sale, which sometimes includes capacity, yields OSS margins. OSS margin or profit is calculated by subtracting the gas costs (including any variable transportation and fuel) that have been allocated to the sale from the revenues derived from the sale. Importantly, producer demand charges and fixed pipeline reservation costs are not allocated to the OSS transaction. There are current tariff provisions that are designed to require the Company to allocate the highest cost of gas to OSS transactions. On system customers may pay fixed monthly charges for gas. To be sold off-system, the gas being sold must have a value for those customers, relative to other available supplies. However, the off-system sale may not cover much of the fixed costs of that gas, which is paid by on-system customers.

Q. What has been the ratemaking treatment for capacity release?

A. The ratemaking treatment for capacity release has varied over time. Some LDCs in Missouri simply pass through the capacity release credits as a net reduction in the cost of gas. In MGE's recent rate cases, capacity release credits are shared through the PGA process via a sharing grid. For Laclede, capacity release has had various treatments over the years, but for the last several years had been imputed in margin rates.

Q. What do you mean by the term "imputed?"

A. The term means that a level has been used to reduce the cost of service and Laclede then retains any OSS levels obtained between rate cases.

Q. What is your understanding of the ratemaking treatment of OSS?

A. Off-system sales have also been treated in various ways over the years. In the mid to late 1990s, Laclede had an incentive plan that shared OSS margins at 70% for the

customer and 30% for the Company. In more recent years, levels have been imputed in general rate cases, where the Company keeps the margins in between rate cases.

Q. What has been the history of capacity release and OSS over the past 10 years?

A. I have provided a chart as **Schedule 3**. ** [redacted] **

Q. To what do you attribute this growth?

A. One significant driver is likely the increased "basis" differentials between Mid-Continent and Gulf Coast gas supply areas. Basis differential simply refers to price differences between various gas supply regions. Beginning in the fall of 2005, there has been a significant widening of the price differentials between Gulf supplies and Mid-Continent supplies. Since the New York Mercantile Exchange (NYMEX) uses the Henry Hub in Louisiana as a delivery point, basis is often calculated in reference to that point.

Q. What is Staff's recommendation regarding the ratemaking treatment of OSS and capacity release?

A. The Staff is proposing to adopt a sharing mechanism similar to the one approved for Missouri Gas Energy in Case No. GR-2004-0209. This is the most recently litigated case regarding ratemaking treatment of OSS and capacity release. The grid is part of the PGA/ACA clause and shares OSS margins and capacity release credits on an increasing scale. Since Laclede has experienced higher levels of OSS and capacity release, the grid has been modified to reflect this. ** [redacted]

_____ ** These demand charges are funded completely by the customer through the PGA/ACA mechanism. In recent years, these demand charges have gone up significantly and, therefore, the vast majority of the margins and credits should go to the customer. The following is Staff's proposed sharing grid:

| Capacity Release Credits and Off-System Sales Profits | Company Retention Percentage |
|---|---|
| First $5,000,000 | 15 % |
| Next $5,000,000 | 20 % |
| Next $5,000,000 | 25% |
| Amounts Over $15,000,000 | 30% |

Q. Are there other issues relevant to OSS and capacity release?

A. Yes, affiliate transactions between Laclede Energy Resources (LER) and Laclede Gas Company ** _____ _____ _____ **. As of fiscal year 2006, LER has had significant growth in terms of revenue and net income. A graph of LER's net income is attached as **Schedule 4**. ** _____ _____ _____ _____ _____ _____ _____ _____ **(MRT) affiliate, ** _____ **. MRT is Laclede's largest pipeline supplier.

Q. How is the relationship between LER and Laclede relevant to the rate case?

A. When considering appropriate regulatory treatment of OSS and capacity release as well as a GSIP, it is important to understand the natural gas market in which Laclede operates. ** _____

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Q. Are LER's obligations, goals, and interests aligned with Laclede Gas' interests?

A. ** _____

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Q. Was there a provision in the Stipulation and Agreement filed in Case No. GR-2005-0284 that required Laclede to return all OSS and capacity release exceeding $12 million on an annual basis?

A. Yes. A separate accounting was to be done regarding this money. For example, ** _____

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_____ ** This account should be reviewed for fiscal 2005-2006 refunds as well as any excess experienced for fiscal 2006-2007. In both instances, the money should be returned to the customer as part of this rate case.

Q. Are there any other items you wish to discuss?

A. On August 18, 2003, a class of traders of New York Mercantile Exchange "NYMEX" natural gas futures and options contracts filed a class action lawsuit in the Southern District of New York asserting manipulation of prices of those futures and options contracts. This matter was the subject of any inquiry in Case No. GO-2006-0449. In an August 21, 2006 Order Directing Filing, Laclede Gas Company was directed to notify the Commission if any proceeds are received by the Company as a result of the class action settlement. The Staff recommends that once these monies are received, they are returned to the customer through the PGA/ACA process.

Q. Does this conclude your direct testimony?

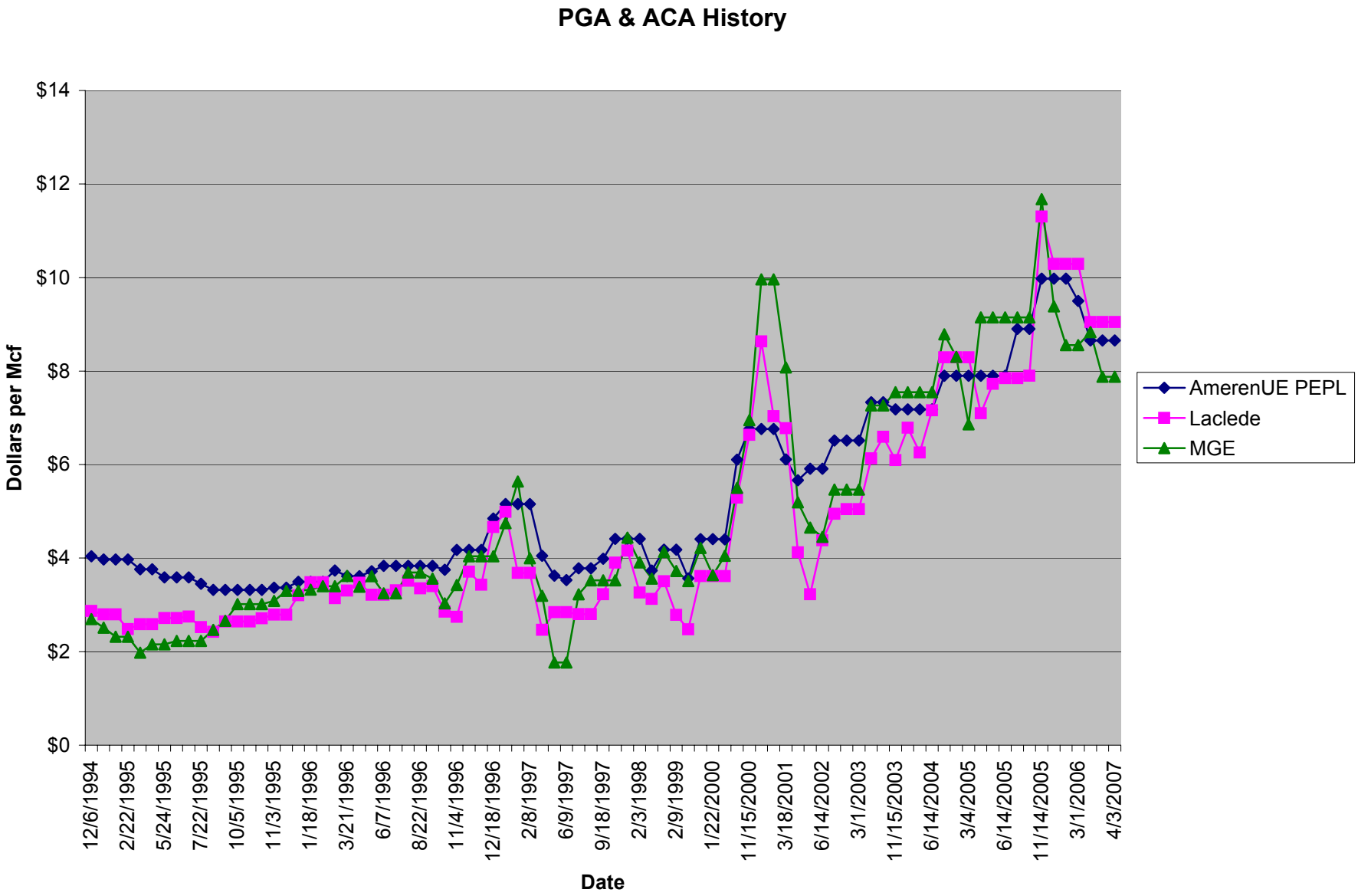
A. Yes, it does.

**CASES WHERE TESTIMONY WAS FILED**

**DAVID M. SOMMERER**

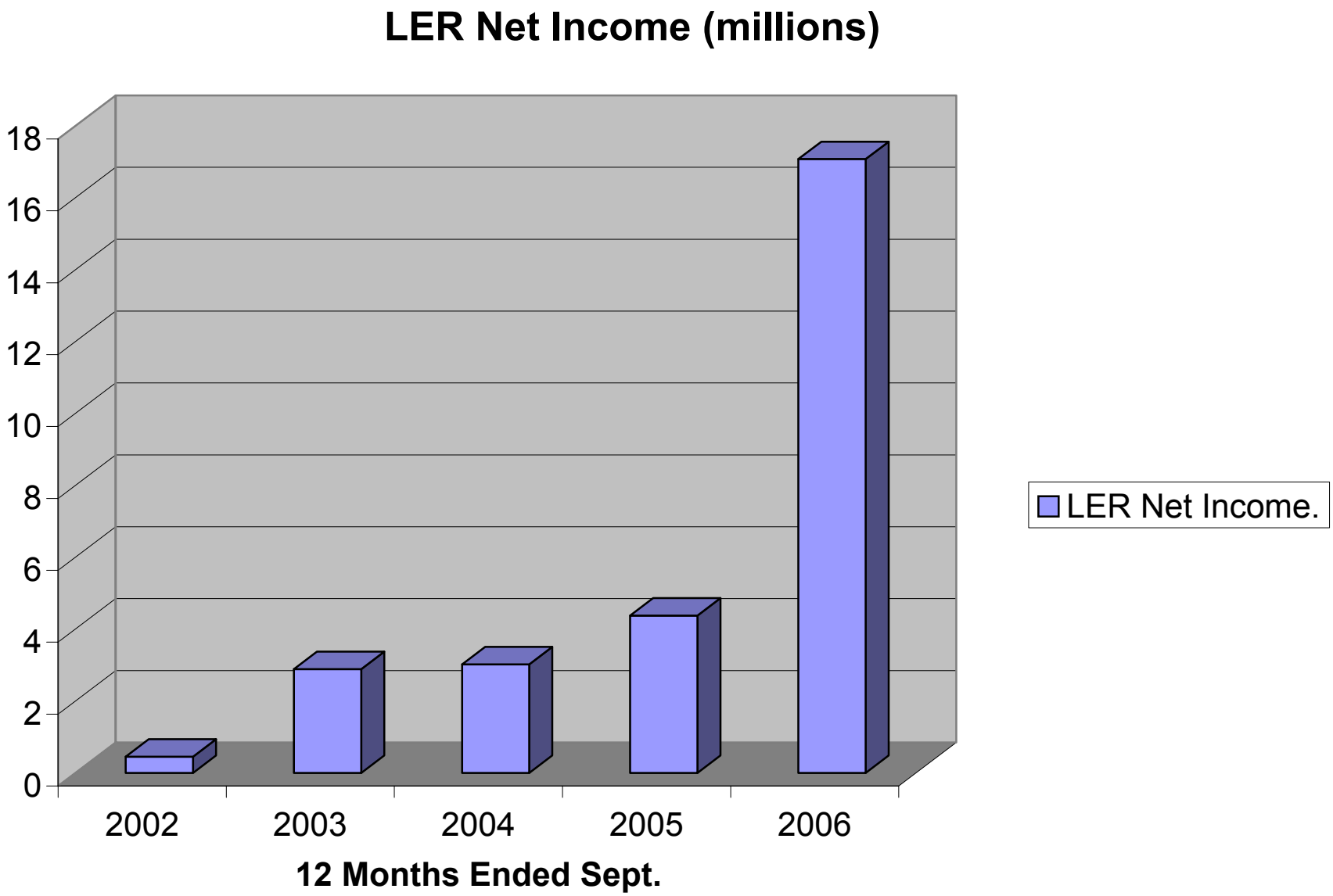
| COMPANY | ISSUES | CASE NO. |
|---|---|---|
| Missouri-American Water Co. | Payroll | WR-85-16 |
| Great River Gas Company | Payroll, Working Capital | GR-85-136 |
| Grand River Mutual Telephone | Cash Working Capital | TR-85-242 |
| Associated Natural Gas Company | Revenues, Gas Cost | GR-86-86 |
| Empire District Electric Company | Revenues | WR-86-151 |
| Grand River Mutual Tel. Company | Plant, Revenues | TR-87-25 |
| Great River Gas Company | Lease Application | GM-87-65 |
| KPL Gas Service Company | ACA Gas Costs | GR-89-48 |
| KPL Gas Service Company | ACA Gas Costs | GR-90-16 |
| KPL Gas Service Company | Service Line Replacement | GR-90-50 |
| Associated Natural Gas Company | Payroll | GR-90-152 |
| United Cities Gas Company | PGA tariff | GR-90-233 |
| United Cities Gas Company | PGA tariff | GR-91-249 |
| Laclede Gas Company | PGA tariff | GR-92-165 |
| United Cities Gas Company | PGA tariff, Billing Adjustments | GR-93-47 |
| Western Resources Inc. | PGA tariff, Billing Adjustments | GR-93-240 |
| Union Electric Company | ACA Gas Costs | GR-93-106 |
| Missouri Public Service | Cost of Gas | GA-95-216 |
| Missouri Gas Energy | Incentive Plan | GO-94-318 |
| Missouri Gas Energy | PGA Clause | GO-97-409 |
| United Cities Gas Company | PGA Clause | GO-97-410 |
| Missouri Gas Energy | ACA Gas Costs | GR-96-450 |
| Missouri Gas Energy | Complaint Gas Costs | GC-98-335 |

| COMPANY | ISSUES | CASE NO. |
|---|---|---|
| Laclede Gas Company | Price Stabilization | GO-98-484 |
| Laclede Gas Company | PGA Clause | GR-98-374 |
| Laclede Gas Company | Complaint PGA | GC-99-121 |
| Laclede Gas Company | Incentive Plan | GT-99-303 |
| Laclede Gas Company | ACA Gas Cost | GR-98-297 |
| Laclede Gas Company | Incentive Plan | GT-2001-329 |
| Laclede Gas Company | Price Stabilization | GO-2000-394 |
| Laclede Gas Company | Inventory, Off-System Sales | GR-2001-629 |
| Laclede Gas Company | Inventory, Off-System Sales | GR-2002-356 |
| Laclede Gas Company | ACA Price Stabilization | GR-2001-387 |
| Laclede Gas Company | Low-Income Program | GT-2003-0117 |
| Missouri Gas Energy | ACA Hedging/Capacity Release | GR-2001-382 |
| Missouri Gas Energy | Pipeline Discounts, Gas Supply | GM-2003-0238 |
| Aquila, Inc. | PGA Process, Deferred Gas Cost | EF-2003-0465 |
| AmerenUE | Transfer of Gas Services | EO-2004-0108 |
| Laclede Gas Company | Off-System Sales/GSIP | GR-2005-0284 |
| Laclede Gas Company | Demand Charges | GR-2004-0273 |




Schedule DMS 2

**SCHEDULE DMS 3 HAS BEEN DEEMED HIGHLY CONFIDENTIAL IN ITS ENTIRETY**




Source: Laclede AGA Presentation and 10Ks

Schedule DMS 4

**SCHEDULE DMS 5 HAS BEEN DEEMED HIGHLY CONFIDENTIAL IN ITS ENTIRETY**