

Exhibit No.:

Issue:

Witness:

Type of Exhibit:

Sponsoring Party:

Case No.:

Price Stabilization
Fund; Tariff Sheets
Michael T. Cline
Direct Testimony
Laclede Gas Company
GO-98-484

FILED
JUL 2 1998
Missouri Public
Service Commission

LACLEDE GAS COMPANY

GO-98-484

DIRECT TESTIMONY

OF

MICHAEL T. CLINE

DIRECT TESTIMONY OF MICHAEL T. CLINE

1 Q. Please state your name and address.

2 A. My name is Michael T. Cline and my business address is
3 720 Olive Street, St. Louis, Missouri 63101.

4 Q. What is your present position?

5 A. I am Manager of Tariff and Rate Administration at
6 Laclede Gas Company.

7 Q. Please state how long you have held your present
8 position, and briefly describe your responsibilities.

9 A. I was appointed to my present position in August 1991.
10 In this position I am responsible for administration of
11 Laclede's tariff. In addition, I perform analyses
12 pertaining to Laclede's purchased gas costs and various
13 federal and state regulatory matters which affect
14 Laclede.

15 Q. What is your educational background?

16 A. I graduated from St. Louis University in May 1975, with
17 the degree of Bachelor of Science in Business
18 Administration, majoring in economics.

19 Q. Please describe your experience with Laclede.

20 A. I joined Laclede in June 1975 and have held various
21 positions in the Budget, Treasury, and Financial
22 Planning departments of the Company. In addition, I
23 held the position of Staff Assistant to the Executive
24 Vice President of Operations and Marketing until my
25 appointment to my present position.

1 Q. Have you testified previously before regulatory bodies?
2 A. Yes. I have testified before this Commission and have
3 submitted prepared testimony to the Federal Energy
4 Regulatory Commission.

5 PURPOSE OF TESTIMONY

6 Q. What is the purpose of your testimony in this
7 proceeding?

8 A. I am sponsoring specimen tariff sheets which are
9 designed to implement the Company's proposed
10 incentive-based price stabilization program as
11 described by Company witnesses Neises and Jaskowiak.
12 Such tariff sheets are attached as Schedule 1 to my
13 testimony.

14 EXPLANATION OF TARIFF SHEETS

15 Q. Please briefly explain the contents of such tariff
16 sheets.

17 A. The tariff sheets describe how the Company would
18 account for transactions under its proposal through the
19 use of the Price Stabilization Fund ("PSF"), the
20 Incentive Adjustment ("IA") Account, the Incentive
21 Revenue ("IR") Account and the Company's Deferred
22 Purchased Gas Cost Account.

23 Q. What is the PSF?

24 A. The PSF is the repository for: 1) all expenses incurred
25 to procure financial instruments for price
26 stabilization purposes; 2) the revenues accrued
27 pursuant to the Price Stabilization Charge; 3)

1 financial gains resulting from the trading or
2 liquidation of such instruments; and 4) carrying costs
3 applicable to the outstanding balance in such account.

4 Q. Why are the IA and IR accounts involved?

5 A. These accounts are necessary to effectuate the sharing
6 of gains and costs under the incentive features of the
7 Company's proposal. The accounting described in the
8 attached tariff sheets is similar to that used by the
9 Company under its existing Gas Supply Incentive Program
10 which is set out in Sheet Nos. 23-28b of the Company's
11 tariff.

12 Q. Why is the Deferred Purchased Gas Cost Account involved?

13 A. Similar to the treatment of deferred gas costs, at the
14 end of each Actual Cost Adjustment ("ACA") year, any
15 debit or credit balance in the PSF would be charged or
16 credited to the applicable customers over a succeeding
17 twelve-month period. This amount would be rolled-into
18 the Company's deferred gas cost balance for purposes of
19 establishing new ACA factors.

20 Q. Why are certain terms in the tariff sheets not defined?

21 A. Due to the market-specific nature of the Company's
22 proposed program, certain terms of the PSF have been
23 designated "Highly Confidential" and would only be
24 available to the Missouri Public Service Commission or
25 to any proper party that executes a non-disclosure
26 statement. This is consistent with the treatment

1 accorded the existing Experimental Price Stabilization
2 Fund.

3 Q. Does this conclude your testimony?

4 A. Yes, it does.

Laclede Gas Company

Refer to Sheet No. 1

Name of Issuing Corporation or Municipality

For

Community, Town or City

SCHEDULE OF RATES

G. Experimental Price Stabilization Fund

1. Overview - For purposes of reducing the impact of natural gas price volatility on the Company's customers during the three heating seasons commencing with the 1999/2000 season, the Company shall maintain a Price Stabilization Fund ("PSF") for the procurement of certain natural gas financial instruments, which procurement shall be subject to the incentive features described below. The parameters of the PSF have been designated "Highly Confidential" and are only available to the Missouri Public Service Commission or to any proper party that executes a non-disclosure statement. Accordingly, the definitions of certain terms have not been disclosed herein but are available in the "Highly Confidential" version of the Order in Case No. GO-98-484.

2. Accounting for Expenses and Revenues - The PSF shall be debited with all costs and expenses associated with the Company's procurement of financial instruments and credited with all gains realized from such instruments, subject to the provisions of the Price Protection Incentive and the Overall Cost Reduction Incentive set forth below.

The Company shall include a Price Stabilization Charge in the Commodity-Related unit gas component set forth in paragraph A.2.c. of this clause, as such charge applies to all rate schedules other than LVTSS. Such charge shall be designed to recover from customers the Maximum Recovery Amount ("MRA") established by the Commission in Case No. GO-98-484 for purposes of procuring natural gas financial instruments. The PSF shall be credited with all revenues collected through such charge.

3. Price Protection Incentive - To provide an incentive for the Company to procure natural gas financial instruments with the greatest amount of price protection, the Company and all customers other than those billed under the LVTSS rate schedule shall share certain gains and costs as follows:

- a) 100% of Type I Gains shall be credited to the PSF;
- b) 50% of Type II Gains shall be credited to the PSF and the remaining 50% shall be credited to the IR Account;
- c) The IR Account shall be debited and the IA Account shall be credited for 50% of Type I Costs; and
- d) The IR Account shall be debited and the IA Account shall be credited for 50% of Type II Costs.

DATE OF ISSUE

month

day

year

DATE EFFECTIVE

month

day

year

ISSUED BY

name of officer

title

address

CANCELLING All Previous Schedules.

..... Laclede Gas Company For Refer to Sheet No. 1
 Name of Issuing Corporation or Municipality Community, Town or City

SCHEDULE OF RATES

G. Experimental Price Stabilization Fund (continued)

The foregoing gains and costs shall be calculated in conformance with the parameters approved by the Commission in Case No. GO-98-484.

4. Overall Cost Reduction Incentive - To provide an incentive for the Company to reduce the overall cost of price stabilization, at the end of each ACA year the Company shall account for any differences between the MRA and the net cost of price stabilization ("Actual Cost") for the preceding heating season, exclusive of the gains and costs covered by Section G.3, in accordance with the following schedule:

- a) If the Actual Cost exceeds the MRA, the IA Account shall be credited and the IR Account shall be debited for 100% of such excess;
- b) If the Actual Cost is greater than 50% of the MRA but less than the MRA, the IA Account shall be debited and the IR Account shall be credited for 25% of the difference between the MRA and the Actual Cost;
- c) If the Actual Cost is greater than 0 but less than or equal to 50% of the MRA, the IA Account shall be debited and the IR Account shall be credited for 50% of the difference between 50% of the MRA and the Actual Cost, in addition to the amount described in b); and
- d) If the Actual Cost is less than 0, the IA Account shall be debited and the IR Account shall be credited for 75% of such negative amount, in addition to the amounts described in b) and c).

5. Carrying Costs - At the end of each month carrying costs shall be applied to any balance in the PSF at a simple rate of interest equal to the prime bank lending rate (as published in The Wall Street Journal on the first day of such month) minus one percentage point.

6. Reconciliation - At the end of each ACA year, any debit or credit balance in the PSF applicable to the preceding heating season, including interest, shall be charged or returned to the Company's non-LVTSS sales customers through the ACA factor established in the next Winter PGA filing. Also, any debits or credits recorded in the IA Account, including any balance from the previous ACA year, shall be accumulated and combined with the appropriate Deferred Purchased Gas Cost Account balances. The Company shall separately record that portion of ACA revenue recovery which is attributable to recovery of the balance in the IA Account. Any remaining balance shall be reflected in subsequent ACA computations.

DATE OF ISSUE month day year

DATE EFFECTIVE month day year

ISSUED BY name of officer title address

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)
Tariff Sheets Designed to Extend for an)
Additional Period the Experimental Price) Case No. GO-98-484
Stabilization Fund.)

A F F I D A V I T

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Michael T. Cline, of lawful age, being first duly sworn, deposes and states:

1. My name is Michael T. Cline. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Manager of Tariff and Rate Administration of Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes is my direct testimony, consisting of pages 1 to 4, inclusive and Schedule 1.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded and the information contained in the attached schedule are true and correct to the best of my knowledge and belief.



Michael T. Cline

Subscribed and sworn to before me this 2nd day of July, 1998.

JOYCE L. JANSEN
Notary Public — Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: July 2, 2001



