

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED<sup>2</sup>  
JUL 07 2000

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

)  
) Case No. ~~GF~~-2000-394

Missouri Public  
Service Commission

**VERIFIED APPLICATION FOR AUTHORIZATION TO IMPLEMENT  
TEMPORARY REVISIONS TO PRICE STABILIZATION PROGRAM**

COMES NOW Laclede Gas Company and in support of its Application for  
Authorization to Implement Temporary Revisions to Price Stabilization Program states as  
follows:

1. Laclede is a public utility incorporated under the laws of the State of  
Missouri, with its principal office located at 720 Olive Street, St. Louis, Missouri 63101.  
A Certificate of Good Standing evidencing Laclede's corporate status in Missouri has  
previously been submitted in Case No. GF-2000-843, and by this reference is made a part  
hereof for all purposes. Laclede is engaged in the business of distributing and  
transporting natural gas (and to a limited extent distributing liquefied petroleum gas) to  
customers in the City of St. Louis and the Counties of St. Louis, St. Charles, Crawford,  
Jefferson, Franklin, Iron, Ste. Genevieve, St. Francois, Madison, and Butler in Eastern  
Missouri, as a gas corporation subject to the jurisdiction of the Missouri Public Service  
Commission (the "Commission").

2. Communications in regard to this Application should be addressed to:

Douglas H. Yaeger  
Chairman, President & Chief Executive Officer  
Laclede Gas Company  
720 Olive Street, Room 1507  
St. Louis, MO 63101  
(314) 342-0510

Kenneth J. Neises  
Senior Vice President-Energy & Administrative Services  
Laclede Gas Company  
720 Olive Street, Room 1514  
St. Louis, MO 63101  
(314) 342-0601

Michael C. Pendergast  
Assistant Vice President & Associate General Counsel  
Laclede Gas Company  
720 Olive Street, Room 1520  
St. Louis, MO 63101  
(314) 342-0532

3. Laclede has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court that involve customer service or rates.

4. Laclede is current on its annual report and assessment fee obligations to the Commission, and no such report or assessment fee is overdue.

5. By letter dated June 1, 2000, Laclede notified the Commission that it was exercising its right to withdraw from the Price Protection Incentive provision of the revised Price Stabilization Program (the "PSP") for the second year of the program.<sup>1</sup> In doing so, Laclede noted that such action had been necessitated by radical changes in the market conditions governing natural gas prices in general and natural gas financial instruments in particular. In fact, such escalations had been so substantial that at the time Laclede submitted its notice, the cost to obtain even catastrophic price protection had more than tripled over the amount authorized for that purpose under the PSP.

6. Although Laclede exercised its right to withdraw from this provision of the PSP, it nevertheless advised the Commission that it intended to continue its efforts to

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<sup>1</sup> The Commission approved the PSP in its current form in a Report and Order dated June 15, 1999 in Case No. GO-98-484.

procure reasonable price protection for its customers outside the ambit of the Price Protection Incentive in and before the onset of the winter heating season. To that end, Laclede is requesting that the Commission approve pursuant to its general authority order §393.140(11) RSMo. (1994) several temporary modifications to the PSP that will provide Laclede with an opportunity to obtain meaningful price protection for its customers, notwithstanding the significant and continuing upward pressure in the market price for natural gas. Specifically, Laclede requests that for the second year of the program only, the Commission:

(a) Increase to ten million dollars, plus transaction costs, the Maximum Recovery Amount (MRA) established in Case No. GO-98-484, to procure financial instruments for the upcoming winter heating season - an amount that would be roughly equal to 1.5% of the typical customer's annual bill for natural gas services proposes to place in effect in its recent unscheduled summer PGA filing;

(b) Specify that the Company may, but shall not be required to, obtain financial protection for the upcoming winter heating season in an amount up to 70% of Laclede's normal flowing supply requirements for the months of November through March;

(c) Specify that such financial protection may, at the Company's election, be procured in the same or varying quantities for each month, including zero for certain months;

(d) Authorize the Company to expand the type of financial instruments it may procure for these purposes to include both collar arrangements and fixed price instruments, with the condition that the Company is authorized to flow through to its

customers pursuant to its Purchased Gas Adjustment Clause all realized gains and losses associated with such instruments.<sup>2</sup>

7. Laclede believes that the additional resources and the additional flexibility requested above will significantly enhance its ability to obtain meaningful price protection for its customers in advance of the upcoming winter heating season. Although gas prices may yet abate to more normal levels, there can be no assurance that a meaningful reduction will occur in the near term. Nor can there be any assurance that the market price for natural gas will not continue to escalate, particularly if weather conditions result in increased demand for gas supplies. As a result, Laclede submits that the interests of its customers will be best served by giving the Company at the earliest possible date the additional tools requested herein to address this situation in an effective and timely manner.

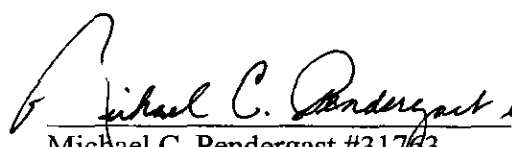
8. Laclede will, of course, continue to work with the Staff and other interested parties to answer any questions they or the Commission may have regarding the Company's proposal and to discuss other measures that may help to protect the financial interests of Laclede's customers, especially those customers living on fixed or limited incomes. In the meantime, however, Laclede requests that the Commission expedite its consideration of this Application for the reasons discussed herein and in Laclede's accompanying Motion for Expedited Treatment.

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<sup>2</sup> A "collar" is a hedging strategy that limits the maximum price that will be paid for a futures contract in exchange for a minimum price guarantee that will be paid for the same futures contract regardless of market conditions.

**WHEREFORE**, for the foregoing reasons, Laclede Gas Company respectfully requests that the Commission grant the authorizations set forth in this Application as soon as reasonably practicable.

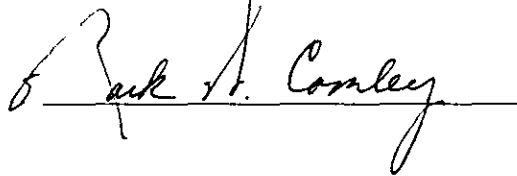
Respectfully submitted,

  
Michael C. Pendergast #31763

Assistant Vice President and  
Associate General Counsel  
Laclede Gas Company  
720 Olive Street, Room 1520  
St. Louis, MO 63101  
(314) 342-0532 Phone  
(314) 421-1979 Fax


**CERTIFICATE OF SERVICE**

Michael C. Pendergast, Assistant Vice President and Associate General Counsel for Laclede Gas Company, hereby certifies that the foregoing Verified Application for Authorization to Implement Temporary Revisions to Price Stabilization Program has been duly served upon the General Counsel of the Missouri Public Service Commission and the Office of the Public Counsel by hand delivery on this 7th day of July, 2000.



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

Kenneth J. Neises, being duly sworn, on his oath states that he is Senior Vice President - Energy & Administrative Services of Laclede Gas Company, petitioner in the foregoing Verified Application For Authorization To Implement Temporary Revisions To Price Stabilization Program; that he has read said Application and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.

  
Kenneth J. Neises

Subscribed and sworn to before me a Notary Public in the City of St. Louis, State of Missouri, this 6<sup>th</sup> day of July, 2000.

JOYCE L. JANSEN

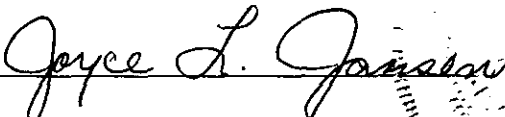
Notary Public — Notary Seal

STATE OF MISSOURI

St. Louis County

My Commission expires:

~~My Commission Expires: July 2, 2001.~~

  
Notary Public, State of Missouri