Exhibit No.:

Witness: Scott E. Jaskowiak

Issue: Price Stabilization

Fund; Stucture and

Operation

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Laclede Gas Company Case No.: GO-98-484

SURREBUTTAL TESTIMONY

OF

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SCOTT E. JASKOWIAK

Service Commission

LACLEDE GAS COMPANY

Case No. GO-98-484

St. Louis, Missouri

August, 1998

#### 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 year the experimental price stabilization fund.

Case No. GO-98-484

### AFFIDAVIT

STATE OF MISSOURI CITY OF ST. LOUIS

Scott E. Jaskowiak, of lawful age, being first duly sworn, deposes and states:

- My name is Scott E. Jaskowiak. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Manager of Gas Supply Administration of Laclede Gas Company.
- Attached hereto and made a part hereof for all purposes is my surrebuttal testimony, consisting of pages 1 to 10, inclusive and the attached schedules.
- I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, and the information contained in the schedules attached thereto, are true and correct to the best of my knowledge and belief.

Scott E. Jaskowiak

Patricia P. Hicks

Subscribed and sworn to before me this  $\frac{574}{1000}$  day of

August, 1998.

PATRICIA P. HICKS Notary Public - Notary Seal STATE OF MISSOURI City of St. Louis My Commission Expires: June 27, 2002

#### SURREBUTTAL TESTIMONY OF SCOTT E. JASKOWIAK

- Q. What is your name and address?
- 2 A. My name is Scott E. Jaskowiak and my business address is
- 3 720 Olive Street, St. Louis, Missouri 63101.
- Q. Are you the same Scott E. Jaskowiak who previously
- 5 submitted direct testimony in this proceeding?
- 6 A. Yes, I am.

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#### PURPOSE OF TESTIMONY

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- 10 Q. What is the purpose of your surrebuttal testimony?
- 11 A. The purpose of my testimony is to respond to statements
- in Staff's rebuttal testimony which imply that Laclede
- Gas Company's (Laclede or Company) proposed Incentive
- 14 Program is a very complicated and vague program. I will
- do this by illustrating the mechanics and benefits of the
- 16 proposed program through my attached schedules. Also, I
- 17 will explain in more detail several program modifications
- that are proposed in Mr. Neises' surrebuttal testimony to
- address Staff's stated concerns. Next, I will respond to
- a number of issues raised in Staff's rebuttal testimony,
- including the examples which Mr. Busch uses in his
- 22 attempts to discredit Laclede's proposed Incentive
- Program. And finally, in response to Mr. Busch's
- 24 completely unrealistic trading scenario I will provide a
- 25 more realistic scenario.

# MECHANICS OF INCENTIVE PROGRAM Q. Could you please reiterate, in simple terms, the mechanics and benefits of the incentive program? Yes. As I indicated in my direct testimony, there are Α. two distinct aspects of the incentive mechanism. \*\* Can you please explain how the \*\*\_\_\_\_\_ Q. \*\* works? Yes. I have prepared an illustration, labeled Schedule Α. 1, which summarizes this straightforward incentive mechanism. \*\*\_\_\_\_\_

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14	Q.	Staff expressed some concern regarding this program
15		because numerical examples were not provided. Could you
16		provide an example of how this mechanism works?
17	Α.	Yes. First, I would like to note that I am very
18		surprised that Staff has expressed an inability to
19		understand the mechanics of this program. Far from
20		exhibiting any confusion over how the program would
21		operate, the examples cited in Mr. Busch's testimony,
22		although misleading, indicate a fairly complete grasp of
23		the program. Nevertheless, to ensure that the parties
24		and the Commission have a complete understanding of
25		Laclede's proposal I am including on Schedule 2 four
26		example scenarios, illustrating the sharing of gains and
27		losees in each

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7	"**. As shown in the illustration, the mechanism is
8	quite simple and straightforward.
9 Q.	You mentioned that the ****.
10	Could you explain how it is determined?
11 A.	Yes. I have included in my testimony, labeled Schedule
12	3, an example of a TSP calculation. **
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ļ	Q.	You have illustrated how the first aspect of the
5		incentive mechanism would work. Can you please
5		illustrate the operation of the second aspect of the
,		incentive mechanism the Overall Cost Reduction
}		Incentive?
)	Α.	Yes. This incentive encourages the Company to reduce the
)		overall cost of acquiring price protection for its
		ratepayers. This aspect of the incentive mechanism is
		also very simple and straightforward. I have prepared an
}		illustration, labeled Schedule 4, which summarizes this
		incentive mechanism. Similar to the Company's existing
<b>;</b>		price stabilization program, the Company **
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2		** generated by the Company in
3		accordance with the parameters provided for in Schedule 4.
4	Q	Please explain in more detail the additional
5		modifications to the original proposal which Mr. Neises
6		indicates are being proposed to address Staff's concerns.
7	Α.	The Company is offering to modify its incentive proposal
8		to address Staff's concern **
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19		have included an illustration in Schedule 5 comparing the
20		Company's original incentive proposal, labeled
21		Alternative A, with the modified incentive proposal,
22		labeled Alternative B.

## RESPONSE TO OTHER STAFF CONCERNS

1	Q.	Do you have responses to any of the other concerns raised
2		in the rebuttal testimony of Staff's witnesses?
3	A.	Yes. I have several responses to issues raised in
4		Staff's testimony.
5	Q.	In his rebuttal testimony, Mr. Bush argues that a program
6		that allows the Company to modify its position is much
7		harder to implement than a **** strategy. Do
8		you agree?
9	Α.	Of course it is. **
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14		Consequently it is only appropriate that the Company be
15		compensated if this goal is attained.
16	Q.	On page 16 of his rebuttal testimony, Mr. Busch suggests
17		that the CPL is an arbitrary number chosen by the
18		Company. Is this the case?
19	Α.	No. The CPL represents, in my view, the minimum range
20		necessary to balance the risks and rewards of the
21		incentive program and to provide the Company the minimum
22		flexibility necessary to implement such a program **
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2	Q.	Would you like to comment on the examples provided in Mr.
3		Busch's rebuttal testimony?
4	Α.	Yes. Mr. Busch's examples to discredit the proposed
5		incentive program contain ****
6		have very low probabilities of occurring. For instance,
7		in his examples on pages 19 and 24 of his rebuttal
8		testimony, the NYMEX January settlement prices used by
9		Mr. Busch are \$3.95 and \$5.00. Only once since the
10		NYMEX's inception in 1990 has **
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19		**. The Company is very conservative and
20		maintains a long-standing reputation for being
21		well-managed. It is extremely unlikely that the
22		Company's management would ever approve any such
23		transaction that would subject the Company's shareholders
24		and its ratepayers to such an enormous amount of
25		financial uncertainty.

	Second, Mr. Busch and Staff witness Mr. Sommerer
atta	ck the proposed incentive program because of the
flex	ibility it contains **
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	*
	Next, I would like to briefly comment on Mr.
Busc	h's example on page 17 of his rebuttal testimony in
whic	h he distorts the level of **
	**. Ratepayers presently pay for transaction
cost	ss. Finally, Mr. Busch's example contains the highly
impr	cobable assumption **

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	ALTERNATIVE TRADING SCENARIO
Q	Can you give an example of how the flexibility to **
	** could serve to reduce the
	overall costs of the program?
Α	Yes, but instead of using a fictitious price scenario
	like Mr. Busch, I will use **
	**.
Q	. Does this conclude your testimony?
A	. Yes.