

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

SCOTT E. JASKOWIAK

LACLEDE GAS COMPANY

Case No. GO-98-484

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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

1 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.

4 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
12 in Staff's rebuttal testimony which imply that Laclede
13 Gas Company's (Laclede or Company) proposed Incentive
14 Program is a very complicated and vague program. I will
15 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
18 that are proposed in Mr. Neises' surrebuttal testimony to
19 address Staff's stated concerns. Next, I will respond to
20 a number of issues raised in Staff's rebuttal testimony,
21 including the examples which Mr. Busch uses in his
22 attempts to discredit Laclede's proposed Incentive
23 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?

A. Yes. As I indicated in my direct testimony, there are two distinct aspects of the incentive mechanism. **

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Q. Can you please explain how the **

** works?

A. Yes. I have prepared an illustration, labeled Schedule 1, which summarizes this straightforward incentive mechanism. **

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Q. Staff expressed some concern regarding this program because numerical examples were not provided. Could you provide an example of how this mechanism works?

A. Yes. First, I would like to note that I am very surprised that Staff has expressed an inability to understand the mechanics of this program. Far from exhibiting any confusion over how the program would operate, the examples cited in Mr. Busch's testimony, although misleading, indicate a fairly complete grasp of the program. Nevertheless, to ensure that the parties and the Commission have a complete understanding of Laclede's proposal I am including on Schedule 2 four example scenarios, illustrating the sharing of gains and losses 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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14 Q. You have illustrated how the first aspect of the
15 incentive mechanism would work. Can you please
16 illustrate the operation of the second aspect of the
17 incentive -- mechanism the Overall Cost Reduction
18 Incentive?

19 A. Yes. This incentive encourages the Company to reduce the
20 overall cost of acquiring price protection for its
21 ratepayers. This aspect of the incentive mechanism is
22 also very simple and straightforward. I have prepared an
23 illustration, labeled Schedule 4, which summarizes this
24 incentive mechanism. Similar to the Company's existing
25 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 A. The Company is offering to modify its incentive proposal
8 to address Staff's concern ** _____

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18 _____ **. I
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 A. Of course it is. **_____

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13 _____ **.

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 A. 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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1 Second, Mr. Busch and Staff witness Mr. Sommerer
2 attack the proposed incentive program because of the
3 flexibility it contains ** _____
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13 Next, I would like to briefly comment on Mr.
14 Busch's example on page 17 of his rebuttal testimony in
15 which he distorts the level of ** _____
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21 _____. **. Ratepayers presently pay for transaction
22 costs. Finally, Mr. Busch's example contains the highly
23 improbable assumption ** _____
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3 ALTERNATIVE TRADING SCENARIO

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5 Q. Can you give an example of how the flexibility to ** _____
6 _____ ** could serve to reduce the
7 overall costs of the program?

8 A. Yes, but instead of using a fictitious price scenario
9 like Mr. Busch, I will use ** _____

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24 Q. Does this conclude your testimony?

25 A. Yes.