RICHARD S. BROWNLEE III
MICHAEL A. DALLMEYER
DUANE E. SCHREIMANN
DOUGLAS L. VAN CAMP
MICHAEL G. BERRY
JOHN W. KUEBLER
SUSAN M. TURNER
CHRISTOPHER P. RACKERS
SARA C. MICHAEL
BRIAN K. FRANCKA
SHANE L. FARROW
THOMAS G. PIRMANTGEN
KEITH A. WENZEL
ANDREW B. BLUNT
HEATHER D. RICHENBERGER

HENDREN AND ANDRAE, L.L.C.
ATTORNEYS AT LAW

RIVERVIEW OFFICE CENTER
221 BOLIVAR STREET, SUITE 300
P.O. BOX 1069
JEFFERSON CITY, MISSOURI 65102

www.hendrenandrae.com

(573) 636-8135
(573) 636-5226 (FAX)

RODNEY D. GRAY
OF COUNSEL

HENRY ANDRAE (Retired)

JOHN H. HENDREN (1907-1988)
CHARLES H. HOWARD (1925-1970)
JOHN E. BURRUSS, JR. (1933-1985)
GERALD E. ROARK (1956-1995)

E-MAIL
richardb@hendrenandrae.com

September 23, 2002

FILED[2]
SEP 23 2002
Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Executive Secretary
Missouri Public Service Commission
200 Madison Street, PO Box 360
Jefferson City, MO 65102-0360

RE: In the Matter of the Tariff Filing of Laclede Gas Company - Case No. GT-2003-0032
Tariff No. JG-2003-0048

Dear Mr. Roberts:

Enclosed please find for filing the original plus eight (8) copies of the Direct Testimony of Louie R. Ervin to be filed on behalf of Missouri School Boards' Association in the above-captioned matter.

If you should have any questions concerning the enclosed filing, please do not hesitate to contact me. Thank you.

Very truly yours,

HENDREN AND ANDRAE, L.L.C.

Richard S. Brownlee III

Richard S. Brownlee, III

RSB\s
Enclosures
All Counsel of Record
Melissa Randol
Louie R. Ervin

Exh. No. ______
Louie R. Ervin - Direct
MSBA
Case No. GT-2003-0032

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

FILED[2]
SEP 2 3 2002
Missouri Public Service Commission

In the Matter of the Tariff Filing Of Laclede Gas Company	)))	**Case No. GT-2003-0032** Tariff No. JG-2003-0048

DIRECT TESTIMONY

OF

LOUIE R. ERVIN

Exh. No. ______
Louie R. Ervin - Direct
MSBA
Case No. GT-2003-0032

AFFIDAVIT OF LOUIE R. ERVIN

STATE OF IOWA)
)ss.
COUNTY OF LINN)

Louie R. Ervin, of lawful age, on my oath states, that I have participated in the preparation of the foregoing direct testimony in question and answer form, consisting of 36 pages, to be presented in this case; that the answers in the foregoing testimony were given by me; that I have knowledge of the matters set forth in such answers; and that such matters are true to the best of my knowledge and belief.

Louie R. Ervin
Louie R. Ervin

Subscribed and sworn to before me this 3 day of September, 2002.

MARILYN L. WILSON
NOTARIAL SEAL - STATE OF IOWA
COMMISSION NUMBER 712460
MY COMMISSION EXPIRES SEPT. 10, 2004

Marilyn L. Wilson
Notary Public

My Commission Expires: 9/10/04

STATE OF MISSSOURI
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

IN RE:	Laclede Gas Company	)))	CASE NO. TARIFF NO.	GT-2003-0032 JG-2003-0048

DIRECT TESTIMONY OF LOUIE R. ERVIN

Q. Please state your name and business address.

A. My name is Louie R. Ervin and my business address is 150 First Avenue, NE, Suite 300, Cedar Rapids, Iowa 52401.

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

A. I am a partner in the firm of Latham & Associates, Inc., Cedar Rapids, Iowa and hold the position of Executive Vice President.

Q. Please describe your educational background.

A. My academic background includes a B.S. and M.S. in Electrical Engineering from the University of Missouri-Columbia and an M.B.A. from the University of Iowa. I have also taken executive utility management courses at the University of Michigan and other utility-related courses at Indiana University, University of Wisconsin and Iowa State University.

Q. Please describe your professional experience.

A. Since July 1996, I have been employed as an energy advisor with Latham & Associates. Prior to joining Latham & Associates, I was employed from June 1985, to July 1996, by IES Utilities Inc. (IES) in a number of executive positions with responsibilities including rates, engineering and operations. While employed at IES Utilities, I received Gas Industries magazine 1993 Outstanding Manager of the Year Award. Before my employment with IES, from January

1983 to July 1985, I was Associate Director of Utilities for the Lafayette Utilities System, a Louisiana municipal utility. From June 1971 to January 1983, I was employed by Missouri Utilities Company, then a natural gas, water and electric utility, which is now part of the AmerenUE system. My responsibilities at Missouri Utilities included rates, engineering and operations.

Q. Please describe your experience as an expert utility witness.

A. While employed at the Missouri Utilities Company, I testified on rate design matters in a number of natural gas, water and electric cases before the Missouri Public Service Commission and the Federal Energy Regulatory Commission. I have testified in federal and state court regarding electric utility matters. While employed at IES Utilities, I testified on rate design matters in natural gas and electric cases before the Iowa Utilities Board.

Q. Please describe your business.

A. Latham & Associates is an independent adviser to primarily midwestern purchasers of natural gas and electricity. Our clients include schools, colleges, universities, industrials, hospitals, smaller municipal electric utilities and associations. Our primary activities are the negotiation of short-term and long-term electric supply and natural gas supply agreements, preparation of class cost of service studies and rate designs, aggregation of clients into larger purchasing pools, oversight of the administration of energy supply contracts, advice on strategic energy investments in electric generation capacity, consultation on general energy strategies, and energy policy advice on legislative and regulatory affairs. In this business, we are constantly involved in energy pricing and cost of service issues, energy market transactions and advice based on market conditions. We are independent consultants to school natural gas aggregation programs in Illinois, Iowa, Kansas and Missouri. Our firm bids energy supply for clients and is not a supplier.

Q. On whose behalf do you present this testimony?

A. This testimony is prepared on behalf of the Missouri School Boards Association (MSBA) and the Cooperating School Districts of St. Louis (CSD).

Q. Please describe MSBA's and CSD's interest in this docket.

A. MSBA's membership consists of approximately 400 public school districts with approximately 2,000 individual school locations throughout the state of Missouri. CSD's membership consists of 51 school districts with 900 individual school locations in the St. Louis area. The MSBA and the CSD are not-for-profit corporations, which serve as trade associations for the member school districts. They also sponsor and organize joint purchasing of numerous school commodities, from school busses to floor wax. The MSBA and CSD are interested in aggregating natural gas purchases for schools.

Q. Please describe the purpose of your testimony.

A. The purpose of this testimony is to recommend tariff requirements, which will satisfy the subject statute and will provide a reasonable opportunity for schools to successfully aggregate natural gas purchases. My testimony will address:

1. Schools' experience with and the legislative history regarding natural gas aggregation.
2. Whether implementation of the proposed tariff will not have a negative financial impact on the natural gas corporation, its other customers, or local taxing authorities.
3. Whether the aggregation charge in the tariff is sufficient to generate revenue at least equal to incremental costs caused by the experimental program.

4. Necessary changes to the proposed tariff necessary to meet legislative requirements, including: aggregate purchasing, opportunities for schools to purchase natural gas supplies through a not-for-profit school association, purchasing of utility pipeline capacity at utility's cost, and no telemetry except for school meters using over 100,000 therms annually.

5. Other tariff changes necessary for practical implementation of an aggregate natural gas purchasing program for Missouri schools.

Q. Has Missouri previously had any program dealing with aggregate natural gas purchasing for schools?

A. Yes. Beginning in 1999, the MSBA and the CSD began jointly sponsoring aggregate natural gas purchasing for Missouri schools. The MSBA and CSD aggregate purchasing program is very similar to school programs in Kansas, Iowa and Illinois, with one major difference. Adjacent states have natural gas utility transportation tariffs that are designed for smaller users. Missouri transportation tariffs, for the most part, were designed over fifteen years ago for the industrial and larger user. While school programs in adjacent states have grown significantly over the past few years, the MSBA and CSD school program remains at less than 10 % of its potential because of tariff barriers for smaller users.

Q. Could you describe the legislative history behind this current tariff filing?

A. Beginning as early as 1999, the MSBA and CSD made requests to every Missouri investor-owned utility, except for Fidelity and SMG, to file experimental small volume natural gas transportation tariffs for schools with the Commission. Ameren did receive Commission approval for a tariff change, which allowed smaller users to pay a monthly telemetry charge in lieu of an initial expenditure. The Missouri Public Service Company, now Aquila, received

Commission approval for a small volume transportation tariff. The MSBA and CSD program currently has some schools transporting on the systems of Ameren, Aquila and the Missouri Gas Energy Company (MGE) system. However, neither the Ameren nor the Aquila tariffs fully meet the needs of Missouri schools for small volume aggregation and the MGE large volume tariff is prohibitive for all but the largest school facilities. The MSBA and CSD proposed legislation and the Missouri 91st General Assembly, 2nd Regular Session, passed CCS for SCS for HB 1402 which provided, inter alia, that gas corporations certificated by the Missouri Public Service Commission are required to file experimental tariffs, which allow the aggregate combination of natural gas supply and transportation services, including balancing. The MSBA, as agent for schools, is offering aggregate natural gas purchasing to all eligible Missouri schools under the experimental tariffs.

Q. Please describe barriers for smaller users in Missouri transportation tariffs.

A. Because large users, particularly industrial process users, can create large unpredictable swings in flows on natural gas systems, special expensive telemetry is usually a standard provision in large volume transportation tariffs to record daily usage. Standard small-user meters are typically very low cost, do not have a phone connection and are read by the utility monthly. Initial installation costs for telemetry and a phone line are generally from $2,000 to $5,000 and the monthly phone charge is normally in the range of $50.00 per month. Over the past few years, it has been successfully demonstrated in adjacent states and in other states around the country, that telemetry is unnecessary for smaller users with essentially only heating requirements. Forecast algorithms, based on weather and historic usage, have been developed to accurately determine daily usage for small users. Thus, a tariff requirement for telemetry is unnecessary for smaller weather-sensitive users.

Q. What other small-user barriers exist in current Missouri tariffs.

A. Conventional transportation tariffs typically require each meter to stand alone. Large user tariffs normally require individual nominations in advance for each meter as to volumes to be delivered each day of the month. If actual daily or monthly usage is out of balance with the volumes of natural gas nominated and delivered by a third-party marketer or supplier, then the customer is subject to penalties, which can be tremendously expensive. Within each utility natural gas system and on the same pipeline, small user tariffs typically allow multiple meter aggregate nomination and balancing. Although, projection of small weather-sensitive usage can be very accurate, there remains some small daily over or under delivery, or imbalance, which the utility system must handle. Pipelines have some ability to absorb imbalances within acceptable operating pressures. Larger imbalances are generally handled through use of utility storage gas. Because there is some cost associated with the administration and balancing, small-users tariffs typically have an administration or aggregation charge and a balancing charge, or an "aggregation and balancing fee."

Q. What benefits are expected from this experimental natural gas aggregation program?

A. Benefits from this experimental program are expected for Missouri schools, other small natural gas consumers, utilities, natural gas marketers, regulators and legislators. The primary benefit is for all to learn what works and what doesn't work with regard to small volume natural gas transportation in Missouri. As an experimental program, it is neither necessary nor desirable for all utility experimental tariffs to be identical. All tariffs can meet the legislated requirements while reflecting differences in utility systems. Of particular concern to schools are the utility costs to implement this experimental program. Utility costs can be minimized by working within existing utility procedures and systems, to the extent practical and in conformity with legislated directives. Existing nomination procedures and billing systems vary by utility and Missouri schools are prepared to work with utilities to minimize utility incremental program costs. Certainly, the Missouri schools objective includes achieving aggregate purchasing savings similar to what schools are receiving in Kansas, Iowa and Illinois. Missouri schools also want to achieve greater budget certainty. Typically, schools under utility sales service have no ability to lock-in a price for natural gas. Although the utility PGA commodity price for sales service is fixed for specified periods, there is a true-up ACA factor, which effectively creates significant budget uncertainty for schools on prior period utility cost under recoveries.

Q. Please describe the structure of the MSBA and CSD aggregate natural gas purchasing program.

A. With regard to natural gas purchases, the MSBA is the contracting entity on behalf of the CSD and MSBA and is agent for participating school districts. Latham & Associates bids natural gas supply for schools to all known interested marketers. Daily operations and administration of the joint school natural gas purchasing program is currently contracted to a third-party administrator, TXU Energy Services (formerly Enserch Energy Services) with offices in Kansas City, Mo. Only the larger school facilities on MGE, AmerenUE and Aquila systems are currently jointly purchasing natural gas through the CSD and MSBA consortium.

Q. Please describe the contractual relationship between MSBA and its participating members in the aggregate natural gas purchasing program.

A. MSBA and each participating school district enter into a **MEMBERSHIP AND PARTICIPATION AGREEMENT**, following approval of a resolution at a public meeting of the respective school board. This Agreement is attached as Exhibit _1__ (LRE-1) and consists of four pages. It is extremely important to note in Paragraph 4 that the school district, or CUSTOMER, appoints MSBA and/or its designated third-party program administrator as its contracting agent.

Q. Does MSBA ever take title to the natural gas and why is it so important that the school district appoint MSBA and/or its program administrator as contracting agent?

A. MSBA never takes title to the natural gas. It is critical to the aggregation process that the title to natural gas supply pass directly from the marketer or suppliers to the end-use small volume transport customer, or school in this case, just as title passes directly from marketer or supplier to large volume transport customers. The effectiveness and cost efficiency of natural gas transportation, whether for large or small consumers, mandates that the title pass directly from supplier to end-user. The aggregation program's efficiency comes from standardization and joint action. All participating schools' supply is jointly bid. Suppliers that would otherwise not be interested in contracting to supply hundreds of small school accounts are very interested in a single supply contract that is administered by a single party and has aggregate volumes larger than many individual large volume transporters.

Q. Please describe some of the joint activities undertaken on behalf of the individual school participants in the aggregation program and how efficiency is achieved.

A. A partial list of services performed jointly for participants include:

1. A single Request For Proposal for natural gas supply;
2. Joint utilization of industry experts to negotiate contract terms;
3. A single large supply contract that will interest marketers;
4. Batch processing of utility contracts for delivery services;
5. Single implementation of FERC-approved procedures for pipeline capacity release;

6. Sufficient aggregated pipeline capacity to interest other parties in contracting for its use on a secondary basis, which year-round capacity is only fully used during the coldest day of a severe winter;
7. A single daily use forecast and nomination of daily deliveries for all aggregate schools behind a common receipt point on the utility system;
8. Group reconciliation of imbalances between nominations and deliveries;
9. Single payments to utilities, suppliers and taxing authorities for aggregated participants; and
10. Uniform billing and collections programs and processes to consolidate all school district facilities on one bill with individual account detail appended.

Q. Does the proposed Laclede tariff allow schools to aggregate purchases and take title to the natural gas directly from the marketer or supplier?

A. No. The proposed Laclede tariff is nothing more than continuance of sales service overlaid by additional costs to schools. The Laclede tariff would have MSBA enter into extremely awkward negotiations with potential suppliers, who would sell the gas to Laclede. Laclede would take title to the gas and resell it to individual school as if sales service, including calculating individual invoices using the inappropriate sales service PGA. The Laclede tariff design effectively eliminates any experience with experimental actual small volume transportation.

Q. How does the proposed Laclede tariff eliminate experience with experimental actual small volume transportation?

A. I know of no transport customer in the country that purchases its supply from the utility. The precise purpose of transportation service is exactly the opposite. Transportation tariffs are intended to offer consumers the ability to purchase third-party supply as an alternative to utility supply under sales service tariffs. The proposed Laclede tariff does nothing to allow experimentation with aggregate natural gas purchasing and transport in a manner that would provide experience for consumers, utilities, marketers, regulators and other parties to know how best small volume transportation would work if implemented in Missouri on a broader and more permanent basis. The proposed Laclede tariff would put Laclede right smack in the middle of the entire process and in a position to ensure failure of small volume natural gas aggregation and likely the end of any consideration for broader and more permanent implementation.

Q. What problems do you anticipate with Laclede taking title to the natural gas and being the reseller instead of the marketer and why is that approach unworkable?

A. I seriously doubt if any supplier will, at a competitive price, negotiate with MSBA when Laclede is the buyer, the recipient of title to the gas, the party who will pay for the gas, the party with whom disputes must be resolved, and the party who will be in a law suit if disputes cannot be resolved. It is Laclede, as buyer of record, who must comply with pipeline FERC-approved tariffs and operational matters, such as nominations, compliance with pipeline critical day gas flow orders, and the like. Even if Laclede would agree to comply with whatever contract terms MSBA would negotiate with the supplier, there may not be any supplier willing to enter into such a convoluted and non-standard supply contract. Certainly, such a non-standard contract would require additional incremental legal and consultant costs, presumably to be passed on to the schools. If a supplier could be found that is willing to negotiate a non-conventional supply contract and change its normal operations to accommodate MSBA's administration of a Laclede purchase contract, the supplier would certainly charge a price premium. It may not be possible to negotiate and put in place such a non-conventional arrangement prior to the coming heating season.

Q. If Laclede would take title to the gas and resell it to the school districts, would there be operational inefficiencies and additional costs created for MSBA?

A. Yes. MSBA's contract with its program administrator does not cover the added operational burden of such an awkward arrangement. MSBA's program administrator would have to involve Laclede's operating personnel in every routine daily mater with the upstream marketer and seller to Laclede.

Q. How can Laclede take title to the gas at the point where the marketer is to deliver the supply when the pipeline capacity through which the supply is to be delivered has been released to the participating schools?

A. I am not sure MSBA or Laclede can get the pipeline to accept deliveries of marketer's supply for Laclede at an out-of-state point through pipeline capacity that is neither in the name of the marketer nor in Laclede's name, but has been released by Laclede to the participating schools via its agent. This is yet another complication introduced by the Laclede proposed tariff design that would take time and expense to try to work through. Possibly, the marketer would be willing to take released capacity from the schools after Laclede has released the capacity to the schools, but that is yet another unnecessary expensive and time consuming effort, which will increase program costs directly from Laclede passing on incremental costs and from suppliers through a price premium.

Q. Are there generally tax and/or Purchase Gas Adjustment (PGA) differences between large and small volume transportation tariffs?

A. No, generally small and large volume transportation tariffs are the same with regard to taxes and PGA charges. However, because third-party out-of-state suppliers to transportation customers may not have a Missouri nexus, local taxing authorities may not collect franchise taxes on the commodity, as they do on utility sales service. Frequently, large-user transport customers are able to avoid local franchise taxes on all but the utility delivery service charges. With regard to Missouri PGAs, the ACA component is a true-up or reconciliation factor to collect or return previous period under or over collections for utility sales service customers. It is neither MSBA's nor CSD's objective to avoid local franchise taxes or charges associated with sales service to participating schools for the previous PGA period.

Q. Please address tariff changes needed for a legal, practical, low-cost method of collecting local franchise taxes that prevents a negative financial impact on local taxing authorities.

A. The Laclede tariff provision dealing with collection of local franchise taxes is impractical, cumbersome, expensive, and possibly illegal. Laclede proposes that it bill schools as if schools were taking sales service, including billing local franchise taxes on commodity costs different from what schools will actually pay. The effect is that schools would not be paying taxes at the legal local tax rate. Local taxing authorities establish franchise taxes as a percentage of the actual bill. The bills, whether from utilities or from others, are always variable and depend on variable usage and price. Usage can vary significantly with weather, conservation efforts and other factors. Utility price varies depending on the PGA. The new law eliminates the potential of schools avoiding a franchise tax on the commodity simply because the natural gas supplier may be an out-of-state entity. The law does not override the local franchise tax rate. Nor does the Act create an artificial tax bill, as if the utility were the supplier. Not only does the proposed

Laclede tariff provide for Laclede to collect taxes on an artificial commodity cost, the proposed Laclede methodology is expensive and difficult to implement.

Q. Please explain how the Laclede proposed tariff tax collection methodology is different from all other utility proposed experimental natural gas aggregation tariffs and how it is impractical and expensive to implement.

A. To collect local franchise taxes on actual commodity costs, the following impractical and expensive process would be necessary.

1. Laclede would have to modify its billing program because schools would be the only transportation customers for which Laclede is the franchise tax collector on commodity costs.
2. Laclede would have to delay school invoices until it receives actual commodity costs from the MSBA program administrator.
3. The school pool program administrator cannot calculate the aggregate school pool's actual commodity costs until after Laclede provides metered school volumes, which can be subject to adjustments.
4. Laclede would have to then calculate the local franchise taxes on actual pool commodity costs and render the invoice back to the pool program administrator.
5. The pool administrator, as schools payer agent, would then pay Laclede for delivery charges and franchise taxes.
6. The pool administrator would then create a consolidated invoice for each school account.

The Laclede tariff should be modified to be consistent with the method proposed by all other Missouri gas corporations. That method is for the school association, through its program administrator, compute and pay local franchise taxes on the actual commodity costs and provide an account summary to the Commission staff. By collection and payment of local franchise taxes at prescribed local tax percentages on the participating schools' actual bill, including the commodity supply, there will be no negative impact to the local taxing authority.

Q. **Please address how the proposed tariff will not have a negative financial impact on other customers.**

A. There will be no negative impact to other customers because no tariff changes are proposed for other customers as a result of this experimental program. Laclede's response to MSBA Data Request No.4 is that it has not proposed to recover any additional PGA costs from other customers because of the experimental aggregation tariff. Further, the Commission has the authority to disapprove any utility tariff charges that may be proposed for other customers because of this experimental program.

Q. Please address how to design an aggregation tariff that will not have a negative financial impact on the natural gas corporation.

A. There will be no negative impact to the natural gas corporation when the proposed tariff specifies charges to schools to equal total costs of providing the aggregation service, including: (a) applicable sales service margins; (b) costs for pipeline capacity release for up to one year; (c) previously incurred applicable out-of-period ACA supply costs, (d) an aggregation and balancing fee of $0.004 per therm during the first year, and thereafter a charge per therm as approved by the Commission, which is based on utility reporting of incremental recurring costs of aggregation and balancing charges from the first year of the experimental tariff. I will later address the issue that Laclede's proposed tariff may actually over collect the cost of released pipeline capacity and PGA costs.

Q. Please provide a basis for finding that the aggregation charge in the tariff is sufficient to generate revenue at least equal to incremental costs caused by the experimental program.

A. Utility incremental costs of the experimental program cannot be passed on to other customers. The Commission can order the utility to provide supporting data for incremental recurring costs as a basis for any future proposed increase in the aggregation and balancing charges in excess of $0.004 per therm. Because the utility costs for accounting and reporting incremental recurring costs may be high relative to actual incremental costs of the program and because schools may be subject to paying for these utility accounting and reporting expenses, the utility should be allowed to elect continuance of $0.004 per therm through the end of the program without further cost support. By the utility electing not to conduct accounting and reporting activities and not to increase the $0.004 per therm charge, it has effectively deemed full cost recovery or has waived its right to recover any additional incremental costs.

Q. Is there experience on how schools can be grouped for aggregation purposes?

Yes. Experience in other states is that the utility can reasonably treat school purchases in aggregate by pipeline or rate zone. That is, for purposes of nominating and balancing deliveries, all school volumes on a pipeline and within a rate zone will be summed to determine whether any monthly imbalances have occurred. As part of the aggregation and balancing fee, schools are paying the utility for the system to continue balancing daily deliveries with actual usage, as is currently being done for schools and all other sales service customers. An aggregation and balancing fee is needed to cover small daily imbalances because small customers do not have telemetry and only monthly total metered usage data is available. Although small customer imbalances may not have a material effect on the utility system reliability, the utility and schools need to agree on a reasonable algorithm to project usage based on forecasted weather. Forecast algorithms have been tested and proven accurate for schools in adjacent states. MidAmerican Energy Company of Des Moines actually installed some load research telemetry for small school accounts and determined their forecast algorithm was within metering accuracy. MSBA's third-party program administrator, TXU Energy Services, is also the program administrator for a similar Kansas school aggregation program and was previously program administrator for Iowa schools. TXU's school forecast algorithm has been successfully used in Kansas since 1999 and in Iowa beginning in 1997. Laclede's proposed tariff provides that by October 1 each year, Laclede will provide the Association with a temperature-based equation ("Delivery Schedule").

Q. Has Laclede provided the Association with a temperature based equation or "Delivery Schedule".

A. No. Absent an opportunity to review and test a new forecast algorithm that will presumably be developed by Laclede, the Commission order interim use of the time-tested TXU forecast algorithm, which is the approach used by MGE, AmerenUE, Aquila, Fidelity and SMG experimental tariffs. Laclede can choose to develop and test its own algorithm over the course of the next heating season and propose its algorithm well in advance of the second heating season.

Q. Please generally explain why pipeline capacity is an issue with regard to transportation tariffs.

A. Utilities contract for interstate pipeline capacity for its sales service customers. Large user transporters typically purchase gas supply from marketers, which contract for interstate pipeline capacity through which they arrange for commodity deliveries to the utility system at points called "town border stations" or "city gates." Some transportation tariffs provide a minimum notice period for a sales customer to transfer to transportation service, which allows time for the utility to plan and manage its contracted pipeline capacity. Absent giving the required notice, the large transport customer may be subject to stranded costs. Typically, transportation tariffs limit the stranded cost obligation to a maximum of one year. Frequently, utility small-user transportation tariffs allow the customer, or its agent, to take contractual responsibility for utility capacity for up to one year to avoid stranded costs. Federal Energy Regulatory Commission (FERC) jurisdictional pipeline tariffs specify procedures for electronically posting capacity for release. Some utilities want the capacity released permanently and others prefer temporary releases, depending on anticipated future system requirements.

Q. What are your recommendations regarding capacity release for small volume experimental aggregation tariffs?

A. First, the experimental tariff must meet the legislative mandate that pipeline transportation capacity be made available under the experimental program at the natural gas corporation's cost. The legislative mandate can be satisfied by experimental tariffs with capacity release guidelines. However, operation details should be left to individual utilities and the schools to experiment with effective capacity release procedures. The utility should annually file a report with the Commission outlining program implementation specifics, including: (a) process used for capacity releases; (b) method used to determine levels of capacity released; (c) amounts of capacity released on each pipeline at specific receipt and delivery points; (d) price and amount of revenue received for released capacity; (e) cost of released capacity; and (f) disposition of revenues for released capacity.

Q. Should there be a uniform procedure for pipeline capacity release for all utility experimental tariffs?

A. No. There should be a standard guideline for capacity release, but operating flexibility is needed for each utility system. Each utility system is different and may have different system capacity needs and different interstate pipeline operating requirements. Detailed operating procedures for capacity releases should not be part of the initial experimental tariffs. If the schools have a complaint concerning how an individual utility is handling capacity releases or other operational matters, that complaint can be brought to the Commission's attention.

Q. What guidelines do you recommend with regard to notification and term of capacity releases?

A. Initial capacity releases should be through June 30 of each year. Typically, each utility will use the early summer months to forecast and arrange necessary capacity for the following heating season. Capacity releases should only be required when schools enter the experimental program and only if the utility deems it would incur stranded capacity costs. To avoid stranded costs to anyone, the schools should be required to take released capacity at initial enrollment until the following June 30. Prudent capacity planning contemplates annual variations in capacity requirements. The relatively small amount of capacity needed for this school experimental program should be very manageable by utilities. Under no circumstances should schools be required to take released capacity for more than one year. Because utilities currently are obligated to have capacity for schools and schools are obligated to pay for capacity, the school should have the right, but not the obligation, to retain that capacity for the full term of the program, particularly in cases of constrained pipelines where no alternative capacity may be available.

Q. What other guideline do you recommend with regard to capacity releases?

A. Tariff capacity release guidelines should include:

a. The release shall be temporary, unless permanently released by mutual agreement of the parties. If capacity is permanently released and schools wish to return to firm sales service, the utility shall accept such schools as a firm sales customer, provided the capacity needed to serve the schools also returns with the school, or alternative firm capacity can be acquired by the utility at a comparable cost.

b. Schools shall not be obligated to take the capacity release beyond the June 30 date following initial participation in the experimental program.

c. Capacity release shall automatically continue and shall not be recalled by the utility during the term of the experimental tariff, unless a recall is requested by the schools.

d. The capacity shall be posted and released in accordance with respective pipeline's FERC-approved tariff rules and at a price equivalent to the utility system weighted average capacity cost. If a third-party bids and receives the capacity at a price higher than the posted price, or if the schools bid and receive the capacity at a price higher than the posted price, then the utility shall first credit the aggregation and balancing fee and any further capacity release revenue in excess of the utility's cost shall be credited to all customers through the PGA.

e. Capacity releases shall be on the predominate pipeline(s) serving the utility system from which the participant schools receive service.

Q. Does Laclede's proposed pipeline capacity provisions comply with the Act and your proposed guidelines?

A. No, I do not believe the Laclede proposed pipeline capacity provisions comply with the Act and the tariff provisions certainly do not comply with the above guidelines. The Act requires that capacity be at the natural gas corporation's cost. Laclede's response to MSBA Data Request

No. 10 was that all capacity be released on the MRT pipeline at maximum rates. It may be administratively efficient for all capacity to be released on the MRT system, but the capacity price should not be only the MRT maximum rate. All Missouri experimental tariffs, except Laclede's, propose to release at actual cost, as prescribed by the Act. Schools have already agreed to pay franchise taxes that are not applicable to other large transporters, but to overcome capacity costs during the first year at higher prices than are currently being paid by schools for sales service creates over recovery by Laclede and is effectively a poison pill for the experimental program. Not only will the maximum MRT tariff prices totally undermine the economics of an experimental aggregation program, but maximum MRT prices are not in compliance with the Act and may over recover actual utility costs.

Q. Other than tariff requirements for capacity release, what other tariff requirements are necessary to meet the legislative mandate?

A. Experimental tariffs must: (a) provide for aggregate natural gas purchasing through a not-for-profit school association; (b) treat school purchases in aggregate; and (c) not require telemetry, except for school meter usage over 100,000 therms annually.

Q. Please address the 100,000 therms per year limitation for telemetry.

A. I find no reference to this matter in the proposed Laclede tariff. It is important to note that tariffs must meet the legislative mandate for all school accounts, whether annual usage is over or under 100,000 therms. The utility tariff must provide for aggregate school purchasing for school accounts with usage of over 100,000 therms annually under the same terms and conditions as for smaller usage accounts, with the exception that telemetry may be required.

Q. Does the Laclede proposed tariff effectively provide for aggregate purchasing through a not-for-profit school association and treat schools in aggregate?

A. No. The Laclede tariff provision that it purchase and individually resell the natural gas commodity directly to each school, effectively eliminates a viable aggregation program. It is the traditional role that marketers purchase natural gas commodity from producers and wholesalers and resell the natural gas commodity to transportation end-users. The schools may not have a single marketer supply all commodity needs for schools on the Laclede system. Having multiple marketers agree to resell the gas supply to Laclede for resale again to the individual schools is highly problematic. It is highly unlikely that the MSBA will be able to find marketers and negotiate workable contracts when Laclede becomes the purchaser. The individual resale of natural gas to schools by Laclede undermines the aggregation mandated by the Act, and it may not be possible to find marketers who will follow a highly complex and abnormal contracting practice. The Laclede approach to reselling to individual schools will certainly drag out the process beyond the beginning of the next heating season.

Q. How does MSBA propose to handle transportation contracts for this program?

A. The MSBA is offering aggregate purchasing to all Missouri public schools and will consider offering the same service in years two and three to non-public eligible school entities. Each school district has the authority to enter into natural gas agreements by resolution of its board. MSBA has developed a standard form Membership and Participation Agreement, which the school districts will approve and sign. Similar to school contracts in Illinois, Iowa and Kansas, the Membership and Participation Agreement designates the MSBA and/or its third-party administrator as agent to enter into natural gas marketer supply contracts, utility transportation agreements, receive historic usage data, pay all utility and supplier bills, pay all taxes, pay all other program expenses and to render a consolidated invoice to the school district. Aggregate natural gas purchasing through a not-for-profit school association can be accomplished, as in adjacent states and on a limited basis in Missouri since 1999, with few modifications to standard gas marketer sales contracts or to utility standard transportation agreements. Standard contracts for this program can be efficiently administered and executed for all school districts by their common agent. Resale of natural gas supply by marketers accomplishes the provisions of the Act with great efficiency and consumer safeguards. It is unnecessary and not practical to aggregate natural gas purchases for schools under the approach where Laclede would take title to the gas supply and assume the traditional marketer role of reseller under as many as 200 individual school district contracts.

Q. How will the legislative mandate for resale of natural gas supplies and transportation services be accomplished under other Missouri utility experimental tariffs?

A. With the exception of the proposed Laclede tariff, all other Missouri utility experimental tariffs accomplish resale when the school association arranges for the natural gas supply from third-party gas marketers and the marketers resell the gas supply to the school districts. I know of no transportation tariffs in our region or experimental school programs that provide for anything other than resale of natural gas from third-party marketers to the end-user. The utility has no costs associated with third-party natural gas supply to the schools and has satisfied the law by charging its cost for supply, which is zero. The previously proposed capacity release guidelines effectively provide that the utility will release the capacity for resale to the schools at its cost.

Q. Did you find the other requirements of the Laclede tariff to be reasonably workable for an experimental school aggregation program?

A. No. The following is a list of additional concerns with the proposed Laclede experimental school aggregation tariff:

1. For the next heating season, it is impossible for MSBA to provide Laclede a list of participating schools by September 1, along with address and account numbers for service beginning November 1. Laclede's response to Staff Data Request No. 4152 and MSBA's Data Request No. 7 was that it does not have a readily available and reliable method for obtaining such data since the Company does not identify schools separately by code in its billing system. Most utilities are able to facilitate the aggregation effort by running a relatively simple computer sort of accounts with key words "school" or an SIC for "educational institutions" to provide a list to the Association. Even a list with some inaccuracies would greatly help the enrollment process. Otherwise, schools will have to drag out all Laclede invoices for the past year for all of approximately 2,000 facilities, photocopy and send them to the MSBA for manually raking off historic usage and other data and inputting data into a forecasting model. I presume these data are electronically available on the Laclede system and would be extremely helpful even if MSBA had to accommodate manually handling a few inaccuracies for thousands of invoices. It is inconceivable to me that Laclede's computer system cannot provide an account number and 12-months of usage history if the MSBA or CSD provides Laclede a list of all school facilities with addresses.
2. Laclede's proposed tariff states that it will provide the Association with the following day's temperature forecast by 9:00 AM of each business day. This is an unnecessary and expensive daily activity. Schools use very little natural gas other than from November to March. Even during the winter period, daily weather data is not critical to the usage nomination process unless there are sudden or severe weather changes, which are readily

available to the aggregation pool's program administrator from various other weather data sources.

3. Laclede's tariff does not identify a percentage or methodology for determining lost and unaccounted for natural gas, which must be supplied to Laclede by the school pool.

4. Laclede's tariff proposes a usage adjustment for revenue cycle billing. No adjustment is needed by Laclede if resale of supply is from marketers to school districts. The purpose of the adjustment is to reconcile the price that Laclede proposes to bill at its sales service rate to the actual Association price paid to the marketer.

5. Laclede's tariff proposes to recall pipeline capacity if the Association fails to deliver natural gas supplies. Presumably, a small keypunch error for a single day could trigger this event at Laclede's sole discretion. Laclede's tariff needs to provide that the schools are not required to take capacity for longer than one year, but Laclede will not recall the capacity unless requested to do so by the Association. Further, failure to deliver is addressed in the penalties section of the tariff and is not a valid basis for recalling capacity. Any recall, not requested by the schools, needed to be approved by the Commission.

6. The Laclede tariff proposes billing the Association based on a difference relative to the Purchase Gas Adjustment, which has the effect of double recovery. The PGA recovers, among other costs, storage and pipeline capacity and volumetric costs. Schools, as transport customers, are already required to pay pipeline capacity release costs directly to the pipeline and additionally pay an aggregation and balancing fee to Laclede. As transport customers, schools should not be subject to paying storage costs because they are obtaining their own supplies from third-party marketers.

7. The Laclede proposed tariff does not specify how to determine the amount of pipeline capacity to be released. MGE determines maximum daily pipeline capacity by taking 150% of the average daily usage during the maximum usage month. The MGE approach is reasonable.

8. The Laclede tariff establishes a separate account for natural gas costs for schools, which expense is unnecessary if the MSBA arranges for natural gas marketers to resell the commodity supply directly to schools. Further, the Laclede tariff would unnecessarily establish a separate PGA for participating customers, an unneeded accounting and regulatory expense.

9. The Laclede tariff would have schools revert to sales service if supplies are not so delivered in accordance with the tariff. Schools contract for total requirements firm supply with its program administrator warranting payment for imbalance penalties, if any. If there is a simple keypunch error, all Laclede schools could be forced out of the experimental program and back to sales services despite Laclede being made whole, plus penalties. No such provision exists for other Laclede transportation customers and, if enforced, would be abusive and could doom the experimental program.

10. The Laclede tariff would allow Laclede to charge the schools for unspecified contact reformation costs. The only reformation costs should be for pipeline capacity release, which is addressed elsewhere in the tariff.

11. Laclede's response to Staff Data Request No. 4155 suggests it will charge the schools for preparation and submission of monthly bills. Billing costs are already included in the basic sales service charges, which are applicable to participating schools in the aggregation experimental program. There should be no incremental billing costs or

charges associated with this program, particularly if marketers are reselling natural gas supply and the school program administrator handles franchise tax and commodity supply billing, collections and payments.

12. Laclede's response to MSBA Data Request No. 19 was that schools could only enroll one time per year, a September 1 notification for service beginning November 1. This is unduly restrictive. Enrollment should be allowed in smaller batches each month.

Q. Has any other utility in Missouri, Illinois, Iowa or Kansas proposed the Laclede approach to school aggregation?

A. No.

Q. Do you anticipate any participation by schools if the Laclede approach is approved?

A. The Laclede approach would likely eliminate potential aggregation program benefits and school participation would not likely happen in the Laclede service area.

Q. Have you prepared a revised Laclede tariff to address the above issues and concerns?

A. Yes, Exhibit LRE-2 is the Laclede proposed tariff with revisions shown to address the above issues and concerns.

Q. Do you have any further matters to bring to the attention of the Commission?

A. Yes, I have a request. Schools need to have the Commission approve tariffs as soon as possible to enable the program to start-up and supplies to be delivered this heating season. The law recognizes its emergency nature. The earliest practical approval date by the Commission is requested.

Q. Does this conclude your testimony?

A. Yes, it does. Thank you.

MEMBERSHIP AND PARTICIPATION AGREEMENT

Sponsors: Mo. School Boards Association (MSBA) and the Cooperating School Districts of St. Louis (CSD)

This AGREEMENT, dated this _____ day of ______________________, 2002, is entered into by and between the MISSOURI SCHOOL BOARDS ASSOCIATION, INC., ("MSBA") and _______________________________ (the "CUSTOMER").

IT IS AGREED:

1. The CUSTOMER is a member of the MSBA and/or CSD, and may enjoy all the privileges associated with membership.

2. The CUSTOMER agrees to participate in a school natural gas purchasing consortium for a minimum initial period beginning on or after September 24, 2002 and ending June 30, 2005.

3. The CUSTOMER authorizes any of its energy suppliers to release to MSBA and/or its agent all natural gas account information as requested by MSBA, including all billing and usage information. The CUSTOMER shall assist MSBA in obtaining all information requested by MSBA.

4. The CUSTOMER hereby appoints MSBA and/or it designated third-party natural gas program administrator as its contracting agent. The CUSTOMER shall remain solely responsible for all payments, liabilities and administrative fees arising out of its energy use whether or not obtained through MSBA.

5. The CUSTOMER recognizes that MSBA is governed in accordance with its Articles of Incorporation, Bylaws, and the resolutions of its Board of Directors. By signing below, the CUSTOMER recognizes that it is signing a written agreement for MSBA to act as Customer's agent for the purchase and delivery of natural gas supply, which includes the Terms and Conditions and all Attachments presented with this Agreement. The CUSTOMER understands and agrees to those terms and agrees to participate in a school natural gas purchasing consortium sponsored by MSBA and CSD as a customer.

IN WITNESS WHEREOF, the CUSTOMER and MSBA have each caused this Agreement to be executed by their duly authorized representatives.

Missouri School Boards Association, Inc.

By: ______________________________

Its: ______________________________

Date: ______________________________

Customer

____
Name

____
Street Address

____
City, State, Zip Code

By: ______________________________
Its Board Member or Superintendent

Date: ______________________________

Membership and Participation Agreement
Attachment - 1
Sponsors: Mo. School Boards Association (MSBA) and the Cooperating Districts of St. Louis (CSD)

School District Name and Number

Mailing/Billing Address | City, State | Zip Code

Contact Person/Title/ telephone/fax/e-mail address

Name of Existing Marketer | Contract Termination Date | Days of Notice Required

The MSBA and CSD, their natural gas consultants and third party administrator are authorized to exercise all customers rights to obtain billing/payment and usage histories and to receive and pay utility invoices from utilities and marketers regarding the below listed natural gas accounts.

Price for non-telemetered accounts is Pool Average Cost of Gas and telemetered accounts per Attachment – 2.

Facility Data (Photocopy this page for additional accounts.)

Facility Name	Service Address	Utility Company	Utility Account #	Utility Meter #	Telemetered? Y/N

Include a photocopy of a recent invoice for each account. Fax or US mail or e-mail this form to Dr. James Cherrington, cherrington@msbanet.org, Phone: 573-445-9920 ext. 339, Fax: 573-445-9981, address: 2100 I-70 Drive SW, Columbia, MO 65203

TERMS AND CONDITIONS
MEMBERSHIP AND PARTICIPATION AGREEMENT

Sponsors: Mo. School Boards Association (MSBA) and the Cooperating School Districts of St. Louis (CSD)

This Agreement is made and entered by and between CUSTOMER and THE Missouri School Boards Association, Inc. (MSBA). This Agreement is effective on the date set out on the Membership and Participation Agreement executed by Customer.

1. **Purchase and Delivery.** Under the terms and conditions of this Agreement, MSBA and/or its Program Administrator shall serve as agent to Customer and arrange for purchase and delivery of natural gas to "Customer's Utility" for subsequent delivery to Customer's facilities identified in Attachment - 1 and Customer shall accept delivery from Customer's Utility and pay MSBA for all natural gas and services.

2. **Term of this Agreement.** This Agreement shall be effective on the date set out in the Membership and Participation Agreement and shall continue thereafter as set out in said Agreement. For non-telemetered Customer accounts, in the event that experimental small volume tariffs are not approved by the Missouri Public Service Commission, are discontinued or are not economically feasible, MSBA may give Customer written notice and thereafter discontinue service, and allow Customer non-telemetered accounts to return to conventional utility service.

3. **Quantity, Price and Delivery Point.** MSBA's Program Administrator shall use its best efforts to arrange for the delivery of Customer's natural gas requirements during the term of this Agreement. The price shall be to the Delivery Point, defined as Customer's Utility's City Gate. Customer's Utility is responsible for delivery of gas from the City Gate to Customer's location. Customer authorizes participation for those gas meters identified in Attachment - 1, as amended from time to time by mutual agreement. MSBA's Program Administrator is authorized to enroll only those accounts listed on Attachment-1 in the natural gas aggregate purchasing program that it, in its sole judgment, anticipates savings potential under the utility experimental transportation tariff.

4. **Billing and Payment.** Customer authorizes MSBA and/or its Program Administrator to receive and pay for natural gas supply, pipeline transportation costs, utility delivery charges, sponsors' administrative costs, fees and other costs that are associated with providing services to accounts that are identified on Attachment-1and are in accordance with MSBA's terms for billing and payment as approved by the MSBA Board of Directors. Customer will be provided a consolidated invoice with supporting individual account data, when practical and allowable by utility tariff. Invoices that are not paid by the due date may be charged interest at the rate of 1½% per month. In the event of nonpayment, Customer can be terminated from the MSBA program by MSBA.

5. The Customer agrees that it will:
    a. Pay utility imbalance penalties caused by the Customer's failure to notify MSBA's Program Administrator of material changes in usage or failure to maintain a telephone line, if required by utility tariff. If the Customer fails to install and maintain any telephone line required by the utility or otherwise breaches the Membership and Participation Agreement including these Terms and Conditions Agreement, MSBA or its Program Administrator may suspend or terminate service to the Customer and this Agreement on reasonable notice and/or hold the Customer responsible for any resulting utility charges.
    b. Provide access to meters.
    c. Execute necessary documents prior to gas flow.
    d. Install and maintain a meter telephone line if Customer's utility requires daily meter reads and meet any other utility requirements for service.
    e. Be responsible for any taxes, fees, levies or charges ("Taxes") imposed by any government authority with respect to gas under this Agreement. If MSBA or its Program Administrator or Supplier is required to remit Taxes, the Customer will reimburse MSBA or the applicable party for such Taxes. If the Customer is entitled to purchase gas free from any one or more of the Taxes, the Customer shall promptly furnish MSBA the necessary certificates,

exempting the Customer from Taxes. The Customer's Tax obligations will survive the termination of this Agreement.

6. **Title.** MSBA and its Program Administrator warrants that they are acting solely as agent to Customer, and Customer's supplier, as arranged by MSBA, has title to the natural gas until delivered hereunder to Customer's Utility.

7. **Force Majeure.** All obligations imposed by this Agreement on each party which are affected by the events described in this Section, except for the payment of money for gas delivered under this Agreement, shall be suspended while compliance is prevented, in whole or in part, due to causes beyond reasonable control such as acts of God, strike, fire, war, explosion, freezing of wells or lines of pipe, partial or whole failure of wells or sources of supply of natural gas, by Federal, State, or local law, pipeline capacity restrictions, or by any other cause or causes beyond a reasonable control of the party.

8. **Compliance with Law.** The MSBA program is subject to the ongoing jurisdiction of the Missouri Public Service Commission. It is agreed that this Agreement shall be governed by the laws of the State of Missouri.

9. **Penalties.** Customer agrees to hold MSBA, its Program Administrator and Consultants harmless for any loss to Customer as a result of interruptions imposed by Customer's Utility or as a result of participation in the natural gas purchasing consortium.

10. **Assignment.** This Agreement can be assigned by MSBA to a qualified third party.

11. **Agreement Performance.** MSBA and Customer shall conform to the obligations of this Agreement and the appended Membership and Participation Agreement, and shall fulfill the obligations of this Agreement. Both parties shall have the right and opportunity to resolve contract performance disputes at any time during the term of this Agreement. If results are not satisfactory to Customer, the Parties may mutually agree to arbitration or pursue remedies as may be available in accordance with Missouri law.

12. **Complete Agreement.** This document contains the entire agreement between the parties and supersedes all prior or contemporaneous discussions, negotiations, representations, or agreements relating to the subject matter of this Agreement. No changes to this Agreement shall be made or be binding on any party unless made in writing and signed by each party to this Agreement.

NEITHER PARTY SHALL BE RESPONSIBLE TO THE OTHER FOR ANY INDIRECT, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES WHETHER ARISING UNDER CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY) OR ANY OTHER LEGAL THEORY.

EXPERIMENTAL SCHOOL DISTRICT AGGREGATION SERVICE

A. Overview:

Pursuant to Section 393.310 of the RSMo, the Company shall permit eligible school entities, as defined in such section, to participate in an experimental program under which the natural gas supply and transportation requirements of such entities are aggregated and supplied and resold through contracts negotiated by a not-for-profit school association ("Association").

Deleted: Such aggregated supplies shall be sold to the Company, which, in turn, will deliver gas to such entities at the rates and charges provided for in the Company's applicable sales service rate schedules.¶

B. Availability of Service:

This service shall be available to eligible public school districts only during the first year following the initial effective date of such service and to all eligible school districts thereafter. Ten business days prior to commencement of service, the Association shall provide the Company with a list of each school premise, including the address and the Company account number, where such service is to be provided.

Deleted: By September 1 of each year

Deleted: starting the following November.

C. Supply Forecasting and Nomination:

Deleted: Planning Obligations

1. The Association's pool operator shall be responsible for forecasting and nominating daily and monthly gas deliveries from third-party marketers or supplies using a temperature based equation ("Delivery Schedule") which will be used by the Association to determine the daily amount of natural gas the Association must arrange for delivery into the Company's distribution system to meet the gas supply requirements of the participating schools. The equation will reflect, among other factors, unaccounted-for-gas at the same percentage Company uses for PGA unaccounted for gas calculations for comparable sales service customers.

Deleted: By October 1 each year the Company shall provide t

Deleted: with

Deleted: during the subsequent 12 months ended October period.

Deleted: (

Deleted:)

2. In the event the pool operator must make any changes to nominations during the month, the pool operator must notify the Company by 9:00 a.m. of the day preceding the effective date of the change. Such nomination changes shall normally be provided by email.

Deleted: B

Deleted: each business day the Company shall provide the Association with the applicable following day's (days') forecasted daily temperature that is to be used by the Association with the Delivery Schedule to determine the applicable following day's (days') delivery requirements.

Deleted: information

Deleted: .

D. Imbalances:

The Company will be responsible for any imbalances between the Forecasted Daily Gas Supply Requirement and the actual consumption caused by differences between actual weather and forecasted weather. An aggregation and balancing charge of $0.004 per therm on all throughput will be collected to offset the costs incurred by the Company to provide this service during he first year of availability and as approved by the Commission for subsequent years. Transportation Capacity:

The Company will make available to the Association on an annual basis firm transportation capacity on Mississippi River Transmission Corporation ("MRT") at the Company's actual cost of capacity in accordance with the capacity release procedures contained in MRT's Federal Energy Regulatory Commission approved tariff. Such capacity shall be made available on a recallable basis and may be recalled by the Company only in the event the Association requests capacity to be recalled. Company will deliver gas from the MRT pipeline to all participating end-user meters, regardless of end-user location on the Company system.

E. Payments By The Customer:

Each month the Company shall bill the Association, care of its pool operator, for each participating entity for gas metered at each entity's premise at the non-gas delivery component of rates in effect for the sales service rate schedule under which the customer would otherwise receive gas if it were not participating in the program, plus applicable ACA through October 2003,

plus $.004 per therm for the occurrence of any imbalances and incremental aggregation costs, during the first year.

G. Accounting For Costs On The Company's Books:

The revenue from aggregation and balancing, and pipeline capacity release, shall be be credited to the the PGA.

H. Failure To Deliver Supplies:

As described above, the Association is obligated to deliver supplies into the Company's distribution system in accordance with the Delivery Schedule, adjusted for any imbalance. In the event such supplies are not so delivered, penalties consistent with large volume transportation tariffs may be applicable.

I. Availability Of Individual Customer Billing Data:

The Company shall cooperate fully with the Association in sharing individual historic and concurrent customer billing data in order to facilitate school enrollments and for the Association to make adjustments to the amounts initially paid by each customer to the Company.

J. Transition Costs:

Deleted: Any difference between the total volumes sold to all of the participating entities and the volumes of gas purchased by the Company from the Association, after adjusting for the differences that arise from the Company's revenue cycle billing of customers and the calendar month purchases of gas supplies, shall be accumulated in an imbalance account. Any over-delivery or under-delivery of gas in such imbalance account shall be used to ratably increase or reduce the amount of gas the Association must arrange for daily delivery into the Company's distribution system in the subsequent month.¶
¶

Deleted: such

Deleted: fails to deliver gas supplies in accordance with the Delivery Schedule, adjusted for any imbalance.

Formatted: Bullets and Numbering

Deleted: And The Company

Deleted: eligible

Deleted:

Deleted: .

Deleted: At the end of each billing month the Company shall also credit or charge the Association an amount equal to the difference between the total Purchased Gas Adjustment recovery from all of the entities and the sum of the gas cost paid by the Company to the Association for gas delivered to the entities and any recoverable transportation cost ("Recoverable Transportation Cost"). The gas costs paid shall include the effect of any imb ... [1]

Deleted: Recoverable Transportation Cost shall consist of the costs of MRT transportation capacity previously ... [2]

Deleted: any transition

Deleted: as described below.

Deleted: costs of

Deleted: gas supply

Deleted: transportation services purchased by the Company from the Association

Deleted: debited to a separate School District Aggregation account and shall not affect the costs borne by other ... [3]

Deleted: for

Deleted: recovery from participating customers plus the aforementioned credits or charges to the Association.

Deleted: such entities shall revert to regular sales service from the Company and the aggregation service with t ... [4]

So as to ensure that this aggregation program will not have any negative impact on the Company or its other customers, the actual Company weighted system average cost of releasing any pipeline capacity that may be deemed to be unnecessary as result of providing this

Deleted: Any costs the

Deleted: incurs as a result

Deleted: forming

Deleted: contracts

Deleted: or

service are recoverable from such customers.

Deleted: So as to ensure that this aggregation program will not have any negative impact on the Company or its other customers, charges for this service shall be adjusted, as necessary, to fully recover the cost of providing the service and shall be deemed to be prudently incurred by the Company upon implementation of this tariff.¶

K. Term of Experiment:

Consistent with Section 393.310 of the RSMo, this service will expire June 30, 2005.

Page 2: [1] Deleted **09/17/2002 12:19 PM**

At the end of each billing month the Company shall also credit or charge the Association an amount equal to the difference between the total Purchased Gas Adjustment recovery from all of the entities and the sum of the gas cost paid by the Company to the Association for gas delivered to the entities and any recoverable transportation cost ("Recoverable Transportation Cost"). The gas costs paid shall include the effect of any imbalance volumes and corresponding costs from the previous month. The

Page 2: [2] Deleted **09/17/2002 12:21 PM**

Recoverable Transportation Cost shall consist of the costs of MRT transportation capacity previously reserved by the Company for serving the demand requirements of the participating schools that the Association has not elected to acquire from the Company through the capacity release provision provided for above. In addition, the amount credited or charged to the Association shall be adjusted to reflect the Company's retention of

Page 2: [3] Deleted **09/17/2002 12:23 PM**

debited to a separate School District Aggregation account and shall not affect the costs borne by other sales customers. Such account shall also

Page 2: [4] Deleted **09/17/2002 12:25 PM**

such entities shall revert to regular sales service from the Company and the aggregation service with the Association shall be terminated. In addition, to the extent that the Company incurs additional supply and/or transportation costs, including any penalties and imbalance charges, in the absence of the supplies formerly provided by the Association such incremental costs will be borne entirely by such customers.