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December 11, 2000

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Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. GT-2001-~~361~~

FILED²
DEC 11 2000

Missouri Public
Service Commission

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **MOTION TO SUSPEND TARIFF**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Thomas R. Schwarz, Jr.
Thomas R. Schwarz, Jr.
Deputy General Counsel
(573) 751-5239
(573) 751-9285 (Fax)

TRS:sw
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
DEC 11 2000
Missouri Public
Service Commission

In the Matter of Laclede Gas Company's)
Tariff Filing to Implement an)
Experimental Fixed Price Plan and Other)
Modifications to its Gas Supply Incentive)
Plan.)

Case No. Case No. GT-2001-
Tariff No 200100572

329

MOTION TO SUSPEND TARIFF

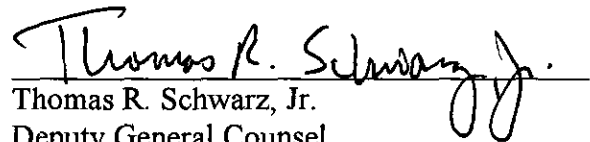
COMES NOW the Staff ("Staff") of the Public Service Commission of Missouri ("Commission") and moves the Commission to suspend the above-referenced tariff filed by Laclede Gas Company ("Laclede" or "Company") on November 16, 2000. In support of its motion, Staff states as follows:

1. On November 17, 2000, Laclede filed a tariff which proposed a number of modifications to Laclede's Gas Supply Incentive Program, currently scheduled to expire on September 30, 2001, unless renewed by the Commission.
2. As noted in the cover letter accompanying the tariff, Laclede, the Office of the Public Counsel, and Staff have had a number of discussions about a possible extension of an incentive plan for Laclede, but have not reached a consensus.
3. As noted in the Joint Motion to Schedule Early Prehearing Conference, all parties expect the Commission to suspend the tariff sheets, and schedule an early prehearing conference to facilitate further discussions among the parties.

WHEREFORE, the Staff respectfully moves the Commission to suspend the above-referenced tariff in accord with the expectations of the parties, and to schedule an early prehearing conference.

Respectfully submitted,

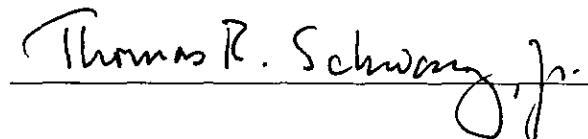
DANA K. JOYCE
General Counsel


Thomas R. Schwarz, Jr.
Deputy General Counsel
Missouri Bar No. 29645

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 11th day of December, 2000.



Service List for

Case No. GT-2001- 361

December 11, 2000

Office of the Public Counsel

P.O. Box 7800

Jefferson City, MO 65102

Michael C. Pendergast

Laclede Gas Company

720 Olive St.

St. Louis, MO 63101

LACLEDE GAS COMPANY
720 OLIVE STREET
ST. LOUIS, MISSOURI 63101
(314) 342-0601

KENNETH J. NEISES
SENIOR VICE PRESIDENT
ENERGY & ADMINISTRATIVE SERVICES

November 16, 2000

VIA FEDERAL EXPRESS

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
Governor Office Building
200 Madison Street
P. O. Box 360
Jefferson City, MO 65102-0360

Dear Mr. Roberts:

Enclosed for filing on behalf of Laclede Gas Company ("Laclede" or "Company") are the original and two copies of the following revised tariff sheets which are applicable to all divisions of the Company (hereinafter the "Proposed Tariff Sheets"):

P.S.C. Mo. No. 5 Consolidated

Fifth Revised Sheet No. 28-a
Third Revised Sheet No. 28-b
Original Sheet No. 28-b.1
Original Sheet No. 28-b.2

The purpose of these Proposed Tariff Sheets is to initiate the formal process for Commission consideration of what kind of performance-based program should be adopted following the September 30, 2001 scheduled expiration date of the Company's current gas supply incentive plan. Although the Proposed Tariff Sheets bear a proposed effective date of December 18, 2000, the tariff changes and program modifications addressed therein are not proposed to take effect until October 1, 2001.

Pursuant to the Unanimous Stipulation and Agreement approved by the Commission in Case No. GO-2000-395, the Company, Staff and Office of the Public Counsel ("Public Counsel") agreed to participate in a "good faith effort to negotiate and implement a mandatory fixed rate trigger for gas supply commodity costs, with the

RECEIVED²

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Records
Public Service Commission

GT-2001-329

Case No.
noted by
Nila on 12/12/00.
and attached to
Staff's Motion
by Nila.

200100572

understanding that the overall objective [would] be to develop a mutually acceptable and workable multi-year incentive program." See paragraph 4(d) of April 20, 2000 Unanimous Stipulation and Agreement in Case No. GO-2000-395. To that end, the above-referenced parties have met on several occasions to discuss proposals presented by the Company and to exchange ideas. Although the Company, Staff and Public Counsel have not been able to reach an agreement as of this date, the Company intends to continue the negotiation process in the hope that an incentive plan agreeable to all parties can ultimately be negotiated.

In the meantime, however, the Company believes it is important to file its proposal with the Commission so that a proceeding and schedule can be established in a manner that will give the Commission sufficient time to hear and resolve prior to the expiration of the existing program any differences that the parties may not be able to resolve through negotiation. Accordingly, the Company has set forth in the Proposed Tariff Sheets a proposal under which a mandatory, Experimental Fixed Price Program ("EFPP") would be added to its gas supply incentive plan, as approved by the Commission in Case No. GT-99-303.

The purpose of the EFPP is to determine whether Laclede can achieve material savings for its customers through the use of fixed price contracts as an integral part of the Company's gas supply portfolio. To evaluate that proposition, the EFPP provisions of the Proposed Tariff Sheets establish a three year experimental program under which the Company would be required to purchase futures contracts through the New York Mercantile Exchange ("NYMEX") when natural gas futures prices pass a "Price Test." The Company believes that an appropriate Price Test should not trigger the purchase of futures contracts unless prices have fallen below recently experienced prices and there is historical evidence that such prices are not going to fall significantly lower. Based on a review of historical natural gas futures prices, it appears that these conditions can be met when the nearest NYMEX twelve month strips on the first business day of the month are below, and have been below, the prior twelve month average NYMEX strips at least 12 of the last 24 consecutive months. The Company's proposed EFPP adopts such conditions as the Price Test for determining when to buy futures contracts. When futures contracts pass this Price Test, the Company would purchase sufficient contracts to cover 2,000,000 MMBtu/per month for twelve consecutive months (the "Program Volumes"), provided that during the next five business days after the Price Test is passed, the daily NYMEX strip for the Program Volumes remains at or below the strip price for the Program Volumes on the day the Price Test was passed. If, during the last six months that futures contracts are held by the Company, natural gas prices pass the above criteria again, the Company would again be required to purchase natural gas futures to cover the Program Volumes, starting after the last month that futures contracts are held by the Company.

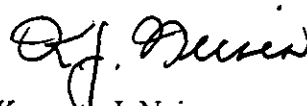
Mr. Dale Hardy Robert
November 16, 2000
Page 3

As previously noted, the above-referenced conditions are designed to increase the likelihood that the fixed prices obtained by the Company will achieve material savings for Laclede's customers. Given the uncertainties in that regard, however, the Company believes that the experimental program should be initially limited in both scope and term. Accordingly, the Company has proposed that for the first three years of the EFPP, the amount of volumes that could potentially be covered by purchases of fixed price instruments should be limited to approximately 30% of the Company's normal gas supply requirements or 2,000,000 MMBtu/per month for twelve consecutive months. Upon conclusion of the initial three year term, the EFPP could then be reevaluated to determine whether it should be expanded, modified or terminated. The Company believes that this approach will permit the experimental program to operate under varying conditions and within prudent limits.

It should be noted that under the EFPP, the Company would credit to customers 100% of the difference between the strip price for each set of Program Volumes on the date the Price Test was passed for those volumes and the NYMEX settlement price at the time each contract expires. The Company would also be permitted to pass through the carrying costs that would be incurred under the program.

To facilitate the addition of the EFPP, the Company proposes to eliminate the existing fixed rate component of its gas supply incentive program, as well as several of the temporary modifications approved for the fifth year of the Company's gas supply incentive plan. The remaining components of the Company's gas supply incentive plan, as approved by the Commission in Case No. GT-99-303, would remain in effect, subject to the existing right of any party to propose modifications or termination of the program in the event certain changes in market conditions or other factors warrant such action.

Sincerely,



Kenneth J. Neises

KJN:kz
Enclosures

cc: Office of the Public Counsel

Laclede Gas Company
Name of Issuing Corporation or Municipality

For Refer to Sheet No. 1
Community, Town or City

SCHEDULE OF RATES

D. Gas Supply Incentive Plan

2. The debits and credits to the IA Account shall be allocated to the applicable customer classifications, based on the volumes sold and/or transported during the ACA period. Debits from item 1.b. and 1.d. shall be allocated to the Company's firm sales and firm transportation customers consistent with the allocation of capacity reservation charges set forth in Section A.2.b. The debit or credits from item 1.c. shall be allocated to the Company's on-system firm sales only.

3. For each ACA year, the debits and credits recorded in the IA Account including any balance from the previous year shall be accumulated to produce a cumulative balance of incentive adjustments. For purposes of computing new ACA factors for the subsequent twelve-month period beginning with the effective date of the Winter PGA, such cumulative incentive adjustment balances shall be combined with the appropriate Deferred Purchased Gas Costs Account balances. The Company shall separately record that portion of ACA revenue recovery which is attributable to recovery of the IA Account balances. Any remaining balance shall be reflected in the subsequent ACA computations.

4. If an unusual event occurs which would have a significant adverse impact on purchased gas costs, such as, an act of God, a significant change in federal or state laws or regulations, including tax laws, or a significant change in gas supply market or system operating conditions, the Company reserves the right at any time to make a filing seeking to either terminate or modify the GSIP, including modification to the Base Period Cost described in 1.d. above.

5. Unless terminated in accordance with Section D.4., the GSIP shall continue in effect past September 30, 2001, subject to the following terms and conditions:

DATE OF ISSUE November 16, 2000

DATE EFFECTIVE December 18, 2000

ISSUED BY

Month Day Year

K.J. Neises,

Senior Vice President,

720 Olive St., St. Louis, MO 63101

Name of Officer

Title

Address

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

SCHEDULE OF RATES

D. Gas Supply Incentive Plan

- a. For the period October 1, 2000 through September 30, 2001, with respect to Section D.1.a., the Company shall continue to share in capacity release revenues to the extent that the maximum daily quantities ("MDQs") of the Company's firm transportation contracts with Mississippi River Transmission Corporation ("MRT") do not exceed the Company's MDQs on MRT during the 1998-1999 ACA period.
- b. For the period October 1, 2000 through September 30, 2001, with respect to Sections D.1.b. and D.1.d., MRT shall be excluded from the pipelines that are covered by such sections.
- c. For the period October 1, 2000 through September 30, 2001, with respect to Section D.1.c. (viii), the combined impact on the IA and IR accounts shall not exceed \$5,300,000 for the twelve-month period ending September 30, 2001.
- d. For the period October 1, 2000 through September 30, 2001, if the sum of the credits to the IR Account described in Sections D.1.a. through D.1.d., before the adjustment described in this paragraph, exceed \$9.0 million for the twelve month period ending September 30, 2001, such credits and related accounting entries shall be adjusted proportionately so that the total of such credits, after adjustment, equal \$9.0 million for such period.
- e. Effective October 1, 2001, the Firm Fixed Price supply provision in Section D.1.c.vii and all related references in Section D.1.c. are eliminated.
- f. For the period October 1, 2001 through September 30, 2004 the Company shall implement the following Experimental Fixed Price Program:
- (i) Under certain conditions the Company shall purchase NYMEX natural gas futures contracts to fix a portion of its purchased gas costs as more particularly described below.
- (ii) The following definitions shall apply in the implementation of such program.
- "NYMEX Strip" for purposes of this section shall mean the average of the simultaneous NYMEX natural gas daily settlement prices of twelve consecutive contract months.
- "First of the Month NYMEX Strip" or "FOM NYMEX Strip" shall mean the NYMEX Strip for the nearest twelve months on the first business day of a month.
- "Program Volumes" shall mean 2,000,000 MMBtus per month for twelve consecutive months.

DATE OF ISSUE

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December 18, 2000

Month Day Year

ISSUED BY


K. J. Neises,

Name of Officer

Senior Vice President,

Title

720 Olive St., St. Louis, MO 63101

Address

P.S.C. MO. No. 5 Consolidated, Original Sheet No. 28-b.1
CANCELLING All Previous Schedules.

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

SCHEDULE OF RATES

D. Gas Supply Incentive Plan

"Fixed Price Fund" shall mean the fund which shall be used to record the purchases, changes in margin requirements, liquidation and carrying costs associated with the purchase and disposition of NYMEX natural gas futures contracts pursuant to this section.

"Fixed Price Period" shall mean the twelve-month consecutive period for which the Company is required to purchase NYMEX natural gas futures contracts to cover the Program Volumes.

(iii) The Company shall be required to purchase NYMEX natural gas futures contracts for the Program Volumes when all of the following conditions are met:

- (a) the FOM NYMEX Strip is less than the average of the previous twelve FOM NYMEX Strips;
- (b) in at least 12 of the past 24 months, the FOM NYMEX Strip for such month was less than the average of the twelve FOM NYMEX Strips preceding such past month; and
- (c) during the ensuing five consecutive business days from the time conditions (a) and (b) above are met, the NYMEX Strip for the Fixed Price Period on each day is equal to or less than the NYMEX Strip for the Fixed Price Period on the first business day of the current month.

(iv) When all of the above provisions are met, a Trigger Price shall be established that is equal to the NYMEX Strip on the first business day of the current month for the contract months of the Fixed Price Period and the Company shall be required to purchase futures contracts to cover the Program Volumes.

(v) The Company shall debit the purchase cost of such futures contracts to the Fixed Price Fund. The Company shall also debit or credit the fund for changes in margin requirements and credit the fund for the liquidation of such contracts.

(vi) At the end of each contract month within the Fixed Price Period, the Company shall either: (1) debit the Fixed Price Fund and credit the Deferred Purchased Gas Cost Account by multiplying the monthly Program Volumes by the amount by which the average of the last three daily NYMEX settlement prices for the expiring futures contract exceeds the Trigger Price; or (2) credit the Fixed Price Fund and debit the Deferred Purchased Gas Cost Account by multiplying the monthly Program Volumes by the amount by which the average of the last three daily NYMEX settlement prices for the expiring futures contract is lower than the Trigger Price.

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K.O. Neises,

Senior Vice President,

720 Olive St., St. Louis, MO 63101

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Community, Town or City

SCHEDULE OF RATES

D. Gas Supply Incentive Plan

(vii) At the end of each month, carrying costs shall be applied to the average daily balance in the Fixed Price Fund at a simple rate of interest equal to the price bank lending rate as published in The Wall Street Journal on the first day of such month minus one percentage point. At the end of each ACA year, any accumulated interest in such fund shall be charged or returned to the Company's sales customers through the ACA factor established in the next Winter PGA filing.

(viii) During the last six months of the Company's last remaining Fixed Price Period, the Company shall be required to purchase the Program Volumes for an additional Fixed Price Period, beginning with the first month following the end of the last remaining Fixed Price Period, if the conditions set forth in sub-paragraph (iii) above are met.

(ix) The Experimental Fixed Price Program shall remain in effect from October 1, 2001 through September 30, 2004.

g. If an unusual and unforeseen event occurs which would have a significant impact on purchased gas costs, such as, an act of God, a significant change in federal or state laws or regulations, including tax laws, or a significant change in gas supply market or system operating conditions, the Company, Commission Staff, the Office of the Public Counsel and any other proper party shall have the right at any time to make a filing seeking to either terminate or modify the GSIP, including modifications to the Base Period Cost described in 1.d. above, provided that such filing shall not seek to terminate or modify in any manner, either directly or indirectly, the maximum amounts by which the Company may credit the IR account pursuant to Sections D.5.c. and d. The operation of the GSIP may also be suspended by the Commission, pending further action by the Commission on whether to terminate or modify the GSIP, in the event and at such time as legislation materially affecting the operation of the GSIP is passed by the Missouri General Assembly and implemented in accordance with the terms of such legislation.

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K.J. Meises,

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