Exhibit No.:	
Issue:	**Operation of EFPP**
Witness:	**Scott E. Jaskowiak**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Laclede Gas Company**
Case No.:	**GR-2001-329**

LACLEDE GAS COMPANY

GR-2001-329

DIRECT TESTIMONY

Of

SCOTT E. JASKOWIAK

February 2001

DIRECT TESTIMONY OF SCOTT E. JASKOWIAK

Q. What is your name and address?

A. My name is Scott E. Jaskowiak, and my business address is 720 Olive Street, St. Louis, Missouri 63101.

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

A. I am employed by Laclede Gas Company ("Laclede" or "Company") in the position of Manager of Gas Supply.

Q. Please state your qualifications and experience.

A. I graduated from the University of Missouri, Rolla in 1985, where I received a Bachelor of Science in Chemical Engineering degree. In 1990, I received a Masters in Business Administration degree from St. Louis University. I joined Laclede Gas Company in 1985 and have held numerous positions in the Engineering, Facilities Management, and Construction and Maintenance departments of the Company. In 1993, I was appointed to Assistant to the Senior Vice President, Operations, Gas Supply and Technical Services. After the implementation of FERC Order 636 in November 1993, I held several positions in the Gas Supply Department until I was appointed to my present position of Manager of Gas Supply. My current responsibilities include the daily planning and administration of Laclede's gas supply portfolio and overseeing the daily administration of Laclede's Transportation customers.

Q. Have you previously submitted testimony before this Commission?

A. Yes. I presented testimony in Case Nos. GR-98-297, GO-98-484 and GT-99-303.

Q. What is the purpose of your direct testimony?

A. In his direct testimony, Mr. Neises provides an overview of the Company's Gas Supply Incentive Plan ("GSIP") and discusses a major modification that Laclede proposes to make to the GSIP. My testimony will provide additional details on this modification.

Q. What is the proposed modification?

A. The modification that the Company proposes to make to the GSIP is the addition of a mandatory, Experimental Fixed Price Program ("EFPP") under which the Company would be required to purchase natural gas futures contracts through the New York Mercantile Exchange ("NYMEX") when natural gas futures prices pass an appropriate price test ("Price Test").

Q. What is the purpose of this modification?

A. As Mr. Neises further explains, the purpose of the EFPP is to implement an experimental program that can be used 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. The purchase of these contracts effectively fixes the commodity price on a portion of the Company's gas supply purchases.

Q. What would be the term of the EFPP?

A. The EFPP would have a term of three years.

Q. How many futures contracts would the Company be required to purchase if futures prices pass the Price Test?

A. The Company would purchase sufficient contracts to cover 2 million MMBtus per month for twelve consecutive months (the "Program Volumes"). Based on the current NYMEX natural gas futures contract, this is equivalent to 2,400 NYMEX contracts.

Q. What percentage of the Company's annual natural gas purchase requirements does this represent?

A. This volume represents slightly less than 30% of the Company's normal annual natural gas purchase requirements.

Q. You indicated that under the EFPP, the Company would purchase fixed price contracts if futures prices passed a Price Test. What criteria did the Company use in designing the Price Test?

A. The Company believes that an appropriate price test should trigger the purchase of futures contracts when prices have fallen below recently experienced prices and there is historical evidence to suggest that prices are not going to fall significantly lower in the near term. Furthermore, favorable price conditions must exist for sufficient time to allow the Company a reasonable opportunity to purchase such contracts at that price level.

Q. Could you please explain how the Price Test included in the EFPP is designed to satisfy these criteria?

A. Yes. Based on a review of historical natural gas prices, we concluded that incorporating the following three provisions in the Price Test would best satisfy these criteria:

(a) First, the NYMEX first of month strip ("NYMEX FOM strip") must be below the average of the NYMEX FOM strips for the preceding 12 months; and

(b) Second, condition (a) must be satisfied in at least 12 of the last 24 months; and

(c) Third, during the ensuing five business days from the time that conditions (a) and (b) are satisfied, the NYMEX strip on each day must be equal to or less than the NYMEX FOM strip on the first business day of the current month.

I have included in Schedule 1 to my direct testimony an illustration of how provisions (a) and (b) of the Price Test would work.

Q. Could you please explain Column A in Schedule 1?

A. Yes. In Schedule 1, Column A represents the NYMEX FOM strip for each month.

Q. What do you mean by the NYMEX FOM strip?

A. The NYMEX strip is simply the average of the NYMEX futures prices for the nearest 12 future months at any single point in time. For the purposes of the EFPP, the NYMEX FOM strip for any month is the NYMEX strip as determined by using the daily settlement prices on the first business day of such month.

Q. What do Columns B and C in Schedule 1 represent?

A Column B in Schedule 1 represents the average of the NYMEX FOM strips for the preceding 12 months. As illustrated in Schedule 1, the Column B figure of $2.122 for January 1994 is simply the average of Column A for the preceding 12 month period beginning January 1993 and ending December 1993. When Column A is less than Column B, provision (a) above is satisfied, i.e., the NYMEX FOM strip is below the average of the NYMEX FOM strips for the preceding 12 months. Column C simply records the outcome of provision (a).

Q. When is provision (b) above satisfied?

A. Column D in Schedule 1 represents the number of times in the last 24 consecutive months that the NYMEX FOM strip would have been below the average of the NYMEX FOM strips for the preceding 12 months. In other words, it represents the number of times in the last 24 consecutive months that provision (a) has been satisfied. If this number is greater than or equal to 12, provision (b) above is satisfied. If both provisions (a) and (b) above are satisfied, as illustrated in bold in Schedule 1, and if provision (c) is also satisfied, natural gas prices have passed the Price Test and the Company would be required to purchase natural gas futures contracts through the NYMEX to cover the Program Volumes.

Q. Why does the Company believe that it is necessary to require that in at least 12 of the last 24 months the NYMEX FOM strip must be below the average of the NYMEX FOM strips for the preceding 12 months?

A. Based on a review of historical natural gas futures prices, it appears that natural gas prices tend to be cyclical in nature. The Company believes this is largely due to the large capital expenditures and long lead times required to explore for and produce new natural gas reserves. Requiring the above condition greatly increases the likelihood that prices will be fixed in the lower range of the natural gas price cycle.

Q. Would the EFPP end once prices pass the Price Test and the Company purchases futures contracts?

A. No. If during the last six months that futures contracts are held by the Company natural gas prices pass the Price Test again, the Company would again be required to purchase natural gas futures contracts to cover the Program Volumes, starting after the last month that futures contracts are held by the Company. As illustrated in bold italics in Schedule 1, had the EFPP been in effect, this provision would have been satisfied in November 1995, and, consequently, futures contracts would have been purchased for the period from April 1996 through March 1997.

Q. Why does the Company believe it has developed an appropriate Price Test?

A. The Company has analyzed historical price data going back to the establishment of the NYMEX's natural gas futures contract. The Company's objective was to establish a mechanism that would reduce the volatility of natural gas prices and, at the same time, provide a reasonable opportunity to achieve savings for the Company's customers. The Company believes the proposed EFPP mechanism meets this objective. To illustrate why I believe it does, I have included in Schedule 2 to my direct testimony a table showing the effect the EFPP would have had on prices, had it been in effect in previous years.

Q. What would happen to any financial gains or losses associated with the futures contracts that the Company purchases under the EFPP?

A. The Company would pass through to its customers 100% of the difference between the average of the last 3 daily NYMEX settlement prices for the expiring futures contracts and the NYMEX FOM strip price that was associated with the purchase of such contracts.

Q. If prices fall rapidly to historical levels in the near future, isn't it possible that the EFPP mechanism might miss an opportunity to fix prices at this attractive level?

A. The Company is aware of this possibility. The Company is also aware that concerns might arise if the EFPP mechanism triggered fixed prices at too high a level and prices subsequently declined. After careful consideration, the Company is proposing two overriding conditions for purchasing futures contracts that prevent these situations from occurring. First, the Company is proposing that the purchase of fixed price instruments under the EFPP be triggered automatically if the NYMEX strip at any day's settlement is less than or equal to \$3.75 per MMBtu for five consecutive business days. If this occurred, the Company would be required to purchase natural gas futures contracts for the Program Volumes and the Company would pass through to its customers 100% of the difference between the average of the last 3 daily NYMEX settlement prices for the expiring futures contracts and the \$3.75 price that was associated with the purchase of such contracts. This "must purchase condition" would increase the likelihood of locking in fixed prices if a significant short-term correction occurred. Second, the Company is proposing that the purchase of fixed price instruments under the EFPP be precluded if the NYMEX FOM strip is greater than \$6.00 per MMBtu. This restriction prevents the Company from locking in fixed prices at unacceptable levels.

Q. Assume that the Company was required to purchase futures contracts because the NYMEX strip was less than or equal to \$3.75. Assume further that if during the last six months that these futures contracts are held by the Company the NYMEX FOM strip does not pass provisions (a) and (b) of the Price Test but the NYMEX strip is again less than or equal to \$3.75 per MMBtu. Under these circumstances, would the Company again be required to purchase natural gas futures contracts to cover the Program Volumes, starting after the last month that futures contracts are held by the Company?

A. No. Once the Company purchased futures contracts as a result of the "must purchase condition," except for the reconciliation of any gains and losses from the purchase of such futures contracts, the "must purchase condition" would cease to exist. The "must purchase condition" was adopted to capture the opportunity that would be created by a significant short-term correction of the current elevated market. Once this situation occurred, the Company would use the Price Test in the EFPP mechanism to determine if additional purchases would be warranted.

Q. Doesn't the Company's existing GSIP contain a fixed price mechanism?

A. Yes. However, the existing mechanism does not require the Company to lock in fixed prices and furthermore, the mechanism is only triggered in the event prices fall below the five-year historical average price. After giving careful consideration to the effect that gas-fired power plants and other factors are having on gas prices, the Company no longer believes the existing fixed price mechanism is appropriate.

Q. Is the Company proposing to eliminate the existing fixed price mechanism and replace it with the EFPP?

A. Yes. The tariff sheets that have been submitted by the Company provide for both the elimination of the existing fixed price mechanism and the establishment of the EFPP.

Q. Does this complete your testimony?

A. Yes.

SCHEDULE 1 - ILLUSTRATION OF PRICE TEST MECHANISM

Month	"Column A" NYMEX FOM strip	"Column B" Average of NYMEX FOM strips for preceding 12 months	"Column C" Is the NYMEX FOM strip below the average of the NYMEX FOM strips for the preceding 12 months (Column A < Column B?) "Yes/No"	"Column D" How many times has Column C been "Yes" in last 24 consecutive months?	Futures bought at this fixed price
Jan-93	$1.661	$1.664	Yes	10	
Feb-93	$1.828	$1.687	No	10	
Mar-93	$1.905	$1.722	No	10	
Apr-93	$2.035	$1.764	No	10	
May-93	$2.299	$1.806	No	10	
Jun-93	$2.281	$1.868	No	10	
Jul-93	$2.294	$1.911	No	10	
Aug-93	$2.277	$1.963	No	9	
Sep-93	$2.325	$2.004	No	8	
Oct-93	$2.238	$2.042	No	7	
Nov-93	$2.220	$2.064	No	6	
Dec-93	$2.095	$2.088	No	5	
Jan-94	$2.004	$2.122	Yes	5	
Feb-94	$2.271	$2.150	No	4	
Mar-94	$2.212	$2.187	No	3	
Apr-94	$2.201	$2.213	Yes	3	
May-94	$2.147	$2.226	Yes	4	
Jun-94	$2.128	$2.214	Yes	5	
Jul-94	$2.208	$2.201	No	5	
Aug-94	$2.086	$2.194	Yes	6	
Sep-94	$1.953	$2.178	Yes	7	
Oct-94	$1.923	$2.147	Yes	8	
Nov-94	$1.943	$2.121	Yes	9	
Dec-94	$1.730	$2.098	Yes	10	
Jan-95	$1.738	$2.067	Yes	10	
Feb-95	$1.604	$2.045	Yes	11	
Mar-95	**$1.680**	**$1.989**	**Yes**	**12**	
Apr-95	$1.842	$1.945	Yes	13	$1.680
May-95	$1.816	$1.915	Yes	14	$1.680
Jun-95	$1.882	$1.888	Yes	15	$1.680
Jul-95	$1.705	$1.867	Yes	16	$1.680
Aug-95	$1.699	$1.825	Yes	17	$1.680
Sep-95	$1.783	$1.793	Yes	18	$1.680
Oct-95	$1.818	$1.779	No	18	$1.680
Nov-95	***$1.768***	***$1.770***	***Yes***	***19***	$1.680
Dec-95	$1.823	$1.755	No	19	$1.680
Jan-96	$1.995	$1.763	No	18	$1.680
Feb-96	$2.007	$1.785	No	18	$1.680
Mar-96	$2.027	$1.818	No	18	$1.680
Apr-96	$2.192	$1.847	No	17	$1.768
May-96	$2.174	$1.876	No	16	$1.768
Jun-96	$2.310	$1.906	No	15	$1.768
Jul-96	$2.510	$1.942	No	15	$1.768
Aug-96	$2.216	$2.009	No	14	$1.768
Sep-96	$1.996	$2.052	Yes	14	$1.768
Oct-96	$2.115	$2.070	No	13	$1.768
Nov-96	$2.186	$2.094	No	12	$1.768
Dec-96	$2.413	$2.129	No	11	$1.768
Jan-97	$2.356	$2.178	No	10	$1.768
Feb-97	$2.152	$2.209	Yes	10	$1.768
Mar-97	$2.016	$2.221	Yes	10	$1.768
Apr-97	$2.087	$2.220	Yes	10	
May-97	$2.306	$2.211	No	9	
Jun-97	$2.200	$2.222	Yes	9	
Jul-97	$2.191	$2.213	Yes	9	
Aug-97	$2.259	$2.186	No	8	
Sep-97	$2.490	$2.190	No	7	
Oct-97	$2.556	$2.231	No	7	
Nov-97	$2.518	$2.268	No	6	
Dec-97	$2.379	$2.295	No	6	
Jan-98	$2.208	$2.293	Yes	7	
Feb-98	$2.438	$2.280	No	7	
Mar-98	$2.429	$2.304	No	7	

Price Test passes (Provisions (a) and (b) are both satisfied); Futures contracts are purchased for 12 months.

During the last six months that futures contracts are held by the Company, the Company re-evaluates the Price Test. The Price Test again passes and the Company is required to purchase futures for an additional 12 months. See Footnote (1).

Footnote (1) - Fixed price as illustrated may deviate slightly from the forward 12 month NYMEX strip as a result of the forward price in the 12 to 18 month time horizon.

SCHEDULE 2 - ILLUSTRATION OF EFPP IMPACT ON PRICES

Period	Percentage of Program Volumes Hedged	Average Price without EFPP Mechanism ($/MMBtu)	Average Price with EFPP Mechanism ($/MMBtu)	Average Price Savings of EFPP ($/MMBtu)	Annual Savings on Program Volumes ($Millions)
Fiscal 1993	100%	$2.222	$1.402	$0.819	$19.7
Fiscal 1994	0%	$2.055	$2.055	$0.000	$0.0
Fiscal 1995	42%	$1.560	$1.600	($0.040)	($1.0)
Fiscal 1996	100%	$2.364	$1.717	$0.647	$16.0
Fiscal 1997	58%	$2.520	$1.972	$0.548	$13.0
Fiscal 1998	0%	$2.361	$2.361	$0.000	$0.0
Fiscal 1999	67%	$2.133	$2.040	$0.093	$2.0
Fiscal 2000	33%	$3.211	$3.058	$0.153	$4.0
					$53.7

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Tariff	)	
Filing to Implement an Experimental Fixed	)	Case No. GR-2001-329
Price Plan and Other Modifications to Its Gas	)	
Supply Incentive Plan.	)	

AFFIDAVIT

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

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

4. My name is Scott E. Jaskowiak. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Manager - Gas Supply of Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes is my direct testimony, consisting of pages 1 to 8, and Schedule Nos. 1 and 2, inclusive.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Scott Jaskowiak

Scott E. Jaskowiak

Subscribed and sworn to before me this 21st day of February, 2001.

JOYCE L. JANSEN
Notary Public — Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: July 2, 2001

Joyce L. Jansen