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Witness: Kenneth J. Neises
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Sponsoring Party: Laclede Gas Company
Case No.: GR-2001-329

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**Missouri Public
Service Commission**

LACLEDE GAS COMPANY

GR-2001-329

DIRECT TESTIMONY

OF

KENNETH J. NEISES

February 2001

DIRECT TESTIMONY OF KENNETH J. NEISES

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4 Q. What is your name and address?

5 A. My name is Kenneth J. Neises, and my business address is 720 Olive Street,
6 St. Louis, Missouri 63101.

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

8 A. I am employed by Laclede Gas Company ("Laclede" or "Company") in the
9 position of Senior Vice President-Energy & Administrative Services.

10 Q. Please state your qualifications and experience.

11 A. I graduated from Creighton University in 1967, where I received a Juris Doctorate
12 degree. In 1970, I received a L.L.M. degree from Georgetown University Law
13 Center. From 1967 to 1973, I was employed as a litigation and trial attorney for
14 the Federal Power Commission (now the Federal Energy Regulatory
15 Commission). I left the Commission in 1973 to accept an appointment by the
16 U.S. Postal Rate Commission to represent the interests of the general public in
17 proceedings before that Commission. I then served as a partner in the law firm of
18 Debevoise and Liberman in Washington, D.C. until joining Laclede in 1983 as an
19 Associate General Counsel. I was elected to the position of Vice President in
20 January 1987 and Senior Vice President in January 1994. Prior to assuming my
21 current position, I was Senior Vice President-Gas Supply and Regulatory Affairs.
22 In that position I had overall management responsibility for the Company's gas
23 procurement activities, its participation in proceedings before the Federal Energy
24 Regulatory Commission ("FERC") on matters affecting Laclede and its
25 customers, and Laclede's participation in various regulatory proceedings before

1 this Commission. My current duties include these responsibilities, as well as
2 overall responsibility for labor, community relations and corporate
3 communications.

4 Q. Have you previously submitted testimony before the Commission?

5 A. Yes, I have submitted testimony in numerous proceedings before the Commission
6 involving the Company's gas procurement activities, rate design issues and other
7 matters.

8 **PURPOSE OF TESTIMONY**

9 Q. What is the purpose of your direct testimony?

10 A. The purpose of my direct testimony is to discuss the modifications which the
11 Company has proposed to make to its Gas Supply Incentive Plan ("GSIP") in its
12 tariff filing of November 17, 2000. I will also explain why we believe the
13 Commission's adoption of such modifications would benefit both the Company
14 and its customers. Additional details regarding these modifications will also be
15 provided by Laclede witness Scott Jaskowiak in his direct testimony.

16 **HISTORY OF GAS SUPPLY INCENTIVE PLAN**

17 Q. Before addressing the modifications that are contained in the Company's
18 November 17, 2000 tariff filing, would you please provide a brief overview of the
19 GSIP and its history.

20 A. The Company is now in its fifth year of operating under a gas supply incentive
21 plan. Throughout this period, the GSIP has evolved to address the concerns and
22 ideas of other interested parties, as well as those of the Company.

23 Q. Please explain how the GSIP has evolved.

1 A. The initial GSIP originated as the result of a stipulation and agreement that
2 resolved the Company's 1996 rate case proceeding, Case No. GR-96-193. The
3 gas procurement component of the GSIP, which governs the Company's purchase
4 of gas supplies, was based on the incentive procurement structure that had
5 recently been approved by the Commission for Missouri Gas Energy ("MGE").
6 In effect, this component permitted the Company to share, within prescribed
7 limits, in any savings achieved as a result of the Company's successful efforts to
8 reserve and purchase gas supplies below a predetermined benchmark. At the
9 same time, the procurement component also required that the Company absorb all
10 or a portion of any increases above a predetermined benchmark. In addition to
11 this feature, the GSIP also had provisions which permitted the Company and its
12 customers to share in savings generated as a result of the Company's efforts to
13 negotiate discounts from the transportation rates charged by its pipeline suppliers
14 as well as revenues achieved by the Company from its temporary release of
15 pipeline capacity held by Laclede and its sale of gas to off-system customers.

16 Q. *Was the original structure of the GSIP eventually modified?*

17 A. Yes. As originally approved, the GSIP had a term of three years. Given the level
18 of benefits we managed to achieve for our customers under the program during its
19 first two years of operation, the Company filed to extend the GSIP in January of
20 1999. Although we believed at the time of that filing, as we do today, that the
21 GSIP had been an unqualified success, we nevertheless suggested a number of
22 modifications to the program. By and large, all of these modifications were
23 designed to address concerns that had been raised by the Commission Staff over

1 the past several years regarding the structure and operation of the various
2 incentive plans that had been approved by the Commission or to incorporate
3 certain enhancements that Staff had previously recommended be made to the gas
4 procurement strategies of various Missouri LDCs.

5 Q. What was the nature of these modifications?

6 A. First, we recommended that the structure of the procurement component of the
7 GSIP be modified so that the Company would not financially benefit merely
8 because gas prices had increased. We did this by changing the demand cost
9 element of the procurement benchmark from one that constantly varied with the
10 price of our gas supplies to one that would be fixed each year based on a
11 competitive bidding process that utilized requests for proposals from numerous
12 suppliers. By proposing this change we were able to both address Staff's concern
13 that the amounts retained by the Company under the procurement component
14 could increase simply because prices had risen while, at the same time,
15 incorporating Staff's previous recommendations that LDCs rely more extensively
16 on competitive bidding procedures when acquiring gas supplies. Second, in
17 response to Staff's belief that LDCs should focus more on the potential use of
18 fixed priced contracts, we proposed that a fixed price component be added to the
19 GSIP that would encourage the use of fixed price instruments when market
20 conditions appeared particularly favorable. Finally, in response to a Staff concern
21 that the current structure of the GSIP might give utilities a perverse incentive to
22 procure less expensive gas supplies in exchange for procuring more expensive
23 transportation services, we proposed to add a provision that would financially

1 penalize the Company if its overall transportation costs increased because of a
2 change in the mix of its pipeline suppliers.

3 Q. Did the Company also present evidence regarding the benefits that had been
4 achieved under the GSIP?

5 A. Yes. During the proceeding that was established by the Commission to consider
6 our tariff filing -- Case No. GT-99-303 -- the Company, as well as all of the other
7 parties, presented extensive evidence on this subject. Indeed, the evidentiary
8 presentation on this central issue could not have been more thorough, involving as
9 it did extensive discovery, including depositions, three separate rounds of
10 testimony by all the parties, and three full days of hearings. When all was said
11 and done, we believe that the massive amount of evidence presented during the
12 course of that proceeding clearly established that our customers had received
13 substantial net benefits as a result of the GSIP, even after the amounts retained by
14 the Company were taken into account.

15 Q. Did the Commission also ultimately conclude that the GSIP should be continued?

16 A. Yes, upon completion of the proceeding, the Commission issued a Report and
17 Order in which it approved an extension of the GSIP with the modifications
18 proposed by the Company, as well as several additional changes that had been
19 proposed by other parties or initiated by the Commission itself. These included,
20 among others, a decision to remove off-system sales from the GSIP and include it
21 in base rates and a decision to extend the term of the GSIP for another year, until
22 September 30, 2000, pending a review of any legislative developments that might
23 lead to a further unbundling of LDC services.

1 Q. Was the GSIP eventually extended again?

2 A. Yes. As a result of negotiations between the Company, Staff and Public Counsel
3 a Stipulation and Agreement was filed by the parties last April in Case No. GO-
4 2000-395, the proceeding that was commenced to monitor the Company's
5 performance under the GSIP. Pursuant to that Stipulation and Agreement, the
6 GSIP was extended for another year, with several temporary modifications.
7 These included the imposition of an overall \$9 million cap on the amounts that
8 could be retained by the Company for the fifth year of the program and the
9 exclusion of any rate discounts that might be negotiated by the Company in the
10 interim with its largest pipeline supplier, Mississippi River Transmission
11 Corporation ("MRT"). Perhaps most significantly, the parties agreed in the
12 Stipulation to participate in a "good faith effort to negotiate and implement a
13 mandatory fixed rate trigger for gas supply commodity costs, with the
14 understanding that the overall objective [would] be to develop a mutually-
15 acceptable and workable multi-year incentive program."

16 Q. Did the parties participate in such discussions prior to the Company's most recent
17 filing?

18 A. Yes. The parties met on several occasions to discuss the Company's proposals
19 and to exchange ideas. However, when it became evident that we would be
20 unable to reach agreement on an incentive plan in the near future, the Company
21 indicated that pending further discussions it would file its proposal so that a
22 proceeding and schedule could be established that would give the Commission

1 sufficient time to hear and resolve any issues that could not be resolved through
2 negotiation.

3 **PROPOSED MODIFICATIONS TO GSIP**

4 Q. What modifications has the Company proposed be made to the GSIP with its
5 latest filing?

6 A. The most significant change is the addition of an Experimental Fixed Price
7 Program ("EFPP") component that would bring additional stability to the
8 Company's rates and allow both the Company and the Commission to determine
9 whether Laclede can achieve material savings for its customers through the use of
10 fixed price instruments. In contrast to the current fixed price component of the
11 GSIP, which the Company proposes to eliminate, and other fixed price triggers
12 that have been approved by the Commission, the EFPP is a forward-looking,
13 market-oriented program for fixing prices. As such, while it gives some
14 recognition to historical gas price trends, it does not rely on them exclusively to
15 trigger the purchase of fixed price instruments, thereby avoiding the huge
16 disconnect between historical gas prices (which have been unusually low) and
17 current gas prices (which are much higher) that has rendered other fixed-price
18 programs unworkable.

19 Q. How would the EFPP work?

20 A. The specific details of the EFPP and the tariff provisions that accompany it are
21 addressed, at length, in the direct testimony of Mr. Jaskowiak. Briefly stated,
22 however, the EFPP would be a three-year, experimental plan under which the
23 Company would purchase fixed price instruments on the New York Mercantile

1 Exchange ("NYMEX") for approximately 30% of its normal annual gas
2 requirements if and at such time as natural gas futures prices pass a certain "Price
3 Test." The purpose of the Price Test is to trigger the purchase of such instruments
4 at those times when their prices have declined enough, relative to historical
5 experience, that they are more likely than not to be lower than the market price
6 that will ultimately prevail during the period covered by the instruments.

7 Q. Why has the Company proposed to add a fixed price plan with a mandatory
8 trigger to its GSIP at this time?

9 A. Aside from the parties' agreement to explore a fixed price trigger in the April 20,
10 2000, Stipulation and Agreement, the Company believes that the need to examine
11 the use of such instruments has never been greater. It goes without saying that the
12 Company and its customers, as well as this Commission, have had to struggle
13 daily over the past several months with the challenges presented by this winter's
14 unprecedented run-up in wholesale natural gas prices and record cold weather.
15 The Company is committed to exploring reasonable measures that will help to
16 mitigate the impact of such price increases on its customers in the future. The
17 Company has attempted to demonstrate that commitment through the operation of
18 its successful incentive hedging program, and fully intends to propose other
19 measures in the near future that will be aimed at achieving greater stability in our
20 customers' bills. We view the EFPP proposed in this case to be an integral part of
21 the overall solution.

22 Q. Why do you believe the Company's proposed EFPP is best suited for this
23 purpose?

1 A. Even though most participants in the regulatory process have recognized that
2 fixed price instruments can play a significant role in stabilizing prices, there has
3 been a significant level of discomfort with the prospect of locking-in prices at
4 levels that may eventually turn out to be significantly higher than the final market
5 price of gas for that period. For example, MGE has had an approved fixed price
6 trigger mechanism in effect since last summer. Under that mechanism, the
7 implementation of a fixed price would only be triggered in the event futures
8 prices on the NYMEX fell below \$2.25 per MMBtu, or such higher price as Staff,
9 Public Counsel and MGE might subsequently be able to agree upon in light of
10 changing market conditions. It should be noted that even at the time this price
11 trigger was negotiated, it was already far below the then prevailing market price
12 for financial instruments. And the trigger price has only become less likely to
13 provide benefits as futures prices have climbed to levels two to three times higher
14 than what was initially provided for in the Stipulation and Agreement. Despite
15 this fact, however, and despite the existence of specific provisions for
16 renegotiating the trigger price, these parties have apparently been unwilling or
17 unable to agree to a new trigger price that comes anywhere close to approaching
18 current market prices.

19 Q. To what do you attribute this unwillingness to agree to a realistic fixed price
20 trigger?

21 A. Although I can't speak for Staff and Public Counsel, it is my belief that they are
22 extremely hesitant to agree to any fixed price trigger, and hence, any fixed rate
23 that may turn out to be significantly higher than the actual price of gas. I can

1 honestly think of no reason other than this concern that would have prevented a
2 more realistic trigger price from being established by now.

3 Q. Are these concerns unjustified in your opinion?

4 A. No, not at all. The prospect of fixing a single price for 100% of an LDC's
5 requirements for two years raises legitimate concerns. If we have learned
6 anything during the last several months, it is the difficulty of predicting the timing
7 and magnitude of huge swings in the wholesale market price of natural gas.
8 Although I believe it is unlikely that natural gas prices will return to the historic
9 lows which we have seen over the past ten years, it is possible that substantial
10 declines from current levels may yet occur. Under such circumstances, the
11 prospect of fixing a price for 100% of an LDC's requirements that turns out to be
12 \$2.00 or more above the actual market price for a prolonged period of time is
13 cause for concern. In addition to costing ratepayers tens of millions of dollars in
14 potential savings, such an eventuality could contribute to substantial
15 dissatisfaction as customers see the rates paid by their counterparts in neighboring
16 states fall significantly below theirs. Indeed, this possibility is one of the primary
17 considerations that figured into the design of the GSIP's current fixed price
18 component, which also relies on historically low gas price averages as the trigger
19 for when fixed price financial instruments can be used. Despite these
20 understandable reservations, however, we also have to recognize the very real
21 possibility that wholesale prices may run-up again, particularly in the absence of
22 any fixed price restraints.

1 Q. How does the Company's EFPP attempt to accommodate these conflicting
2 considerations?

3 A. By permitting prices to be locked-in for nearly a third of the Company's total gas
4 requirements, the EFPP provides an opportunity to obtain a degree of price
5 protection that is large enough to materially reduce the financial impact of any
6 future run-up in wholesale gas prices of the magnitude we have just experienced.
7 This is particularly true when the EFPP is combined with the price protection that
8 will be afforded through the Company's PSP. At the same time, by limiting the
9 use of fixed price instruments to no more than 30% of the Company's gas
10 requirements, and then using them only when prices are historically favorable, the
11 EFPP ensures that customers will receive the lion's share of any substantial
12 decline in prices that will apply to the rest of the Company's purchases.
13 Moreover, since it is most likely that significant price declines will occur when
14 the weather is substantially warmer than normal, I suspect that whatever marginal
15 customer dissatisfaction there may be over the inability to participate in 100% of
16 the price declines would be overwhelmed by the other factors that are
17 simultaneously reducing the customer's monthly bill.

18 Q. Is the Company concerned that prices may not decline for a long enough period of
19 time to trigger the purchase of fixed price instruments under the EFPP?

20 A. Yes. And I know that this concern has been expressed by others as well. In
21 effect, the same features of the EFPP that make it more likely that fixed price
22 instruments will only be purchased when futures prices are favorable also create a
23 risk that such purchases will not be triggered at all. The potential absence of this

1 form of price protection for next winter is, of course, particularly troubling given
2 what we have just gone through with the extraordinary run-up in wholesale
3 natural gas prices.

4 Q. Does the Company have any proposals for addressing this concern?

5 A. Yes. To the extent there is a concern that EFPP may not be triggered for this
6 winter, the Company would propose that a predetermined trigger price of \$3.75
7 per MMBtu be added to the EFPP. In the event the nearest twelve month
8 NYMEX strip equaled or fell below this trigger price for five consecutive
9 business days, the Company would be required to purchase fixed price contracts
10 equal to the program volumes. I should note that this mandatory trigger price is
11 only slightly above the most recent, three-year average of NYMEX prices, which
12 includes two years of prices that were substantially below the prices we
13 experienced this winter. In the event such a consideration continues to raise
14 concerns that even this explicit trigger price may be too low, the Company would
15 have no objection to adjusting the trigger price upward, assuming a firm price can
16 be established beforehand.

17 Q. What about concerns that the EFPP may trigger at too high a price?

18 A. Although I believe that this is a much less likely scenario given the design of the
19 Price Test contained in the EFPP, the Company would have no objection to
20 adding a stated ceiling price to the EFPP above which it could not be triggered,
21 regardless of market conditions. Based on current market conditions, however, I
22 would recommend that such a ceiling price be set no lower than \$6.00 per
23 MMBtu. By establishing a range of prices that trigger the purchase of fixed price

1 instruments when prices are extremely favorable and preclude such purchases
2 when prices are at unacceptable levels, I believe the approach described above
3 will allow the cost savings potential of the EFPP to be tested during the three-year
4 term of the experimental program within parameters that will avoid any extreme
5 results. Toward the end of its three-year term, of course, the entire EFPP program
6 will be subject to reevaluation to determine whether that potential has been
7 realized and whether the program should, therefore, be expanded, maintained or
8 terminated.

9 Q. What other changes is the Company proposing be made to the GSIP?

10 A. Aside from the addition of the EFPP in place of the GSIP's existing fixed price
11 component, the only other modifications that the Company is proposing be made
12 to the GSIP are those required to eliminate the artificial limitations that have been
13 placed on duration and operation of the program.

14 Q. What limitations are you referring to?

15 A. The most significant is the limitation that has been placed on the duration of the
16 program. The GSIP initially began as an experimental program designed to test
17 whether the introduction of financial incentives in the gas procurement process
18 could, as they have in virtually every business context, benefit customers by
19 encouraging the achievement of additional savings and revenues. Based on the
20 extensive evidentiary record presented in Case No. GT-99-303, and our
21 experience since then, we believe that the common-sense and universally-
22 recognized proposition that financial incentives work has been demonstrated to be
23 just as true when it comes to managing natural gas supply assets as it is in any

1 other economic endeavor. Nevertheless, the GSIP has effectively been subjected
2 to an annual renewal process the last two years and is again being reviewed to
3 consider its fate. Given its track record in producing benefits, we believe the time
4 has come to recognize the GSIP as a conventional and proven mainstay of the
5 regulatory framework that deserves to be continued, like any other established
6 policy, until such time as a demonstrably superior approach is found.

7 Q. Are you proposing that the GSIP, as it exists today, never be changed?

8 A. No, not at all. As our own tariff filing in this case makes clear, we believe that
9 changes to the GSIP can and should be considered where necessary to address
10 fundamental changes in the marketplace or to respond to governmental policies
11 that fundamentally alter the way LDCs provide service. Indeed, that is why
12 Laclede itself has come forward in this case with a proposal to add a market-
13 oriented, fixed price plan component to the GSIP. It is also why we have
14 proposed to retain language in the GSIP which permits any other party to propose
15 revisions to, or even termination of, the GSIP in the event such action is ever
16 warranted as a result of fundamental changes in the marketplace or governmental
17 policy. We do not believe, however, that the GSIP, in contrast to other
18 established regulatory policies and programs, should continue to be subject to
19 expiration dates or sunset provisions that artificially limit its duration.

20 Q. Are there other reasons why you believe these artificial limitations on the duration
21 of the GSIP should be eliminated?

22 A. Yes. One of the important lessons we learned from the first three-year term of the
23 GSIP was that additional savings can sometimes be achieved if the time horizon

1 over which gas supply and transportation-related transactions are entered into is
2 extended. In other words, the ability to plan and negotiate longer-term
3 arrangements for the purchase, release or sale of gas supply-related assets and
4 services can occasionally generate additional value for both the Company and its
5 customers compared to arrangements that are conducted on a year-to-year basis.
6 If such value is to be maximized, however, it is important that a longer-term time
7 horizon also be established for the standards and ground rules that will ultimately
8 determine the economic consequences of those transactions for the Company and
9 its customers. Removal of a set expiration date for the GSIP, as the Company has
10 proposed, would facilitate such a goal while still affording the Commission and
11 other parties an opportunity to propose revisions to the GSIP that may be
12 necessitated by fundamental changes in market conditions or governmental
13 policies.

14 Q. You indicated that removal of an artificial ending date for the GSIP was also
15 warranted by its track record of producing benefits for customers. What evidence
16 do you have that this has, in fact, occurred?

17 A. As I previously discussed, the massive evidentiary record compiled less than two
18 years ago in Case No. GT-99-303 clearly established that Laclede's customers
19 have achieved substantial net benefits as a result of the Company's efforts under
20 the GSIP. And it was based on that same evidentiary record that the Commission
21 concluded in 1999 that the GSIP should be continued. In the intervening year
22 and a half since the GSIP was renewed by the Commission, the Company has
23 continued to achieve significant savings as compared to market-based targets --

1 all of which have been reported periodically in the proceeding (Case No. GO-
2 2000-395) established by the Commission to monitor the Company's performance
3 under the incentive plan. Indeed, even after the amounts retained by the
4 Company are considered, the clear benefits to customers as a result of these
5 incentive plans ranges well into the tens of millions of dollars. In view of these
6 results, I can say with absolute confidence that the Company's customers are
7 better off today, and will continue to be better off in the future, as a result of the
8 Commission's adoption and continuation of this program.

9 Q. Are there any other modifications that the Company has proposed be made to the
10 GSIP?

11 A. Yes, in addition to eliminating the artificial limitation that currently exists on
12 length of the program, we have also proposed to eliminate the temporary revisions
13 that were added to the GSIP last summer in connection with the parties'
14 agreement to renew the GSIP for another year. Most notably, these include the \$9
15 million cap on the overall amount that the Company may retain under the
16 program and the provision excluding from GSIP consideration any transportation
17 rate discounts negotiated by the Company with MRT.

18 Q. Why does the Company believe these temporary revisions should be eliminated?

19 A. Although Laclede was willing to agree to these temporary revisions in exchange
20 for the extension in the GSIP that was achieved last summer, we do not believe
21 they are necessary or particularly appropriate as permanent features of the
22 program. For example, the \$9 million cap is largely redundant and potentially
23 counterproductive. It is redundant because there is already a fairly strict

1 limitation (equal to three percent of the Company's gas supply costs) on the total
2 amount of savings that the Company may retain under the gas procurement
3 component of the GSIP -- a limitation which the Company has accepted in the
4 past and is willing to live with in the future. Moreover, the amounts that can be
5 retained by the Company under the other components of the GSIP are also
6 naturally limited by the fact that such components deal with a much smaller
7 segment of the Company's overall gas costs (i.e., transportation costs) and contain
8 sharing percentages for the Company that are significantly lower than the
9 Company's sharing percentage under the gas procurement component. Given
10 these existing limitations, I simply see no reason why the \$9 million cap is
11 necessary or appropriate.

12 Q. You also said that retaining the cap could be potentially counter-productive.
13 Please explain.

14 A. While I have no reason to believe that the Company will be able to generate
15 revenues or savings in the future that materially exceed the \$9 million cap, I am
16 certainly not about to rule out that possibility. To the contrary, as it has in the
17 past, the Company will attempt to achieve whatever savings it can whenever it
18 can. That effort will not be assisted, however, by an artificial cap that basically
19 tells the Company (and those we are negotiating with) that any concession or
20 benefit above a certain level will be financially meaningless to the Company. The
21 same considerations which warrant the use of incentives in the first place justify
22 elimination of this artificial cap.

- 1 Q. Have these same considerations also prompted the Company's proposal to
2 eliminate the temporary MRT exclusion?
- 3 A. Yes. It is simply counterproductive to take away any and all financial incentives
4 for the Company to negotiate the best possible rate discount with its largest
5 pipeline supplier. I am fully aware that the Company has not been able to obtain
6 any material rate discounts from MRT in the past. That is all the more reason,
7 however, why financial incentives should be added rather than eliminated in this
8 area. Like every other component of our program, if we win by being able to
9 ultimately negotiate a rate discount with MRT, our customers will also win to an
10 even greater extent.
- 11 Q. Does this conclude your direct testimony?
- 12 A. Yes, it does.

**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)
Price Plan and Other Modifications to Its Gas)
Supply Incentive Plan.)

Case No. GR-2001-329

AFFIDAVIT

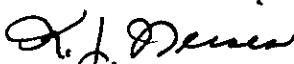
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Kenneth J. Neises, of lawful age, being first duly sworn, deposes and states:

1. My name is Kenneth J. Neises. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Senior Vice President - Energy & Administrative Services of Laclede Gas Company.

2. Attached hereto and made a part hereof for all purposes is my direct testimony, consisting of pages 1 to 18, 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.



Kenneth J. Neises

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, 2004