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June 4, 2001

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FILED²

JUN - 4 2001 *rh*

Missouri Public
Service Commission

RE: Case No. GT-2001-329

Dear Mr. Roberts:

Pursuant to the Commission's order dated May 24, 2001, enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of the **SUBSTITUTE PAGES 11 AND 12 AND SUBSTITUTE SCHEDULE SIX TO DAVID SOMMERER'S REBUTTAL TESTIMONY**. The Staff anticipates that each party will dispose of the original sheets in compliance with the Commission's protective order in this case.

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
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TRS:sw
Enclosures
cc: Counsel of Record

1 the CGS-Schedule that was one of the safeguards under the old tariffs. When asked if
2 any substitute reports were available with the same type of information, various reports
3 were supplied on different occasions that contained voluminous transactional data. The
4 data was not organized to allow for a timely determination of off-system versus on-
5 system allocations of gas supply. Laclede has no formal process in place to guarantee
6 that off-system sales are being properly handled. Staff witness Thomas Imhoff has
7 submitted draft tariff sheets that contain historically derived safeguards to address this
8 concern. In addition, new language has been added to require the Company to ensure
9 that off-system sales opportunities are not encouraged at the expense of higher capacity
10 release credits. This situation could happen where the net margin from an off-system sale
11 is 3 cents while an available capacity release credit exists for 5 cents.

12 Q. Are Laclede's off-system sales activities unique with the industry?

13 A. No. Although more uncommon than capacity release, off-system sales
14 transactions are not unusual and occur as part of other LDC's gas supply operations.

15 Q. Has the Staff considered a comparison of Missouri LDC's performance?

16 A. Yes. Delivered cost is critical. However, the Staff believes that a direct
17 comparison of delivered cost presents problems. Each LDC has different gas supply
18 sources, transportation, customer numbers, and load factors, for example. Staff considers
19 that a ranking based on comparing the percentage change in gas costs from year to year is
20 useful. A comparison of each utility's total delivered cost of gas to that of the prior year
21 measures the effectiveness of a single management's use of its resources over time. This
22 approach minimizes the effect of resource differences among the LDCs. Revised
23 Schedule 6 lists the various PGA districts for the 10 Missouri LDCs.

24 Q. Why not directly compare delivered cost of gas?

1 A. Although the absolute delivered gas cost is important, differences
2 between LDC operating systems and infrastructure can affect the overall level.
3 Therefore, the Staff used the percentage change from the previous year as an indication
4 of the relative success in improving gas costs reductions or keeping increases to a
5 minimum. The relative change year to year compared to the other districts shows the
6 result of the Company's management of their unique gas procurement circumstances
7 within the common characteristics of the market.

8 Q. The Commission adopted a GSIP in Case No. GT-99-303 in a different
9 gas market than currently exists. Could you address the differences between the gas
10 market at that time and the current gas market?

11 A. The GSIP that was adopted by the Commission in Case No. GT-99-303 in
12 September of 1999 relied on data from the three years prior to that date. The gas market
13 has changed dramatically since then. There was a *dramatic increase in typical summer*
14 *prices of gas in May and June of 2000.* The increase was substantial enough to cause
15 Laclede to opt out of its price protection commitment under its Price Stabilization Plan
16 (PSP). Gas commodity prices in excess of \$4.00/Mcf were common during the summer
17 of 2000, a price level that had been only briefly approached since 1990, in the price spike
18 of January of 1997. These high summer prices have been attributed to record low storage
19 levels; ever increasing gas combustion turbine utilization; and, lagging gas production
20 due to a long period of low natural gas prices. The pricing situation only worsened as the
21

PERCENTAGE CHANGE IN DELIVERED COST OF GAS
RANKED BY DISTRICT

	ACA 1997/1998		ACA 1998/1999		ACA 1999/2000
<u>AmerenUE - NGPL</u>	0.0%	<u>United Cities -Neelyville</u>	0.0%	<u>AmerenUE - NGPL</u>	0.0%
<u>AmerenUE - PEPL</u>	0.0%	<u>United Cities - Hannibal/Canton</u>	0.0%	<u>United Cities -Neelyville</u>	0.0%
<u>AmerenUE - TETCO</u>	0.0%	<u>United Cities -Bowling Green</u>	0.0%	<u>AmerenUE - PEPL</u>	0.0%
<u>ANG/Atmos (Butler)</u>	0.0%	<u>Southern Mo Gas</u>	0.0%	<u>United Cities - Hannibal/C:</u>	0.0%
<u>ANG/Atmos (Kirksville)</u>	0.0%	<u>St. Joseph Light & Power</u>	0.0%	<u>AmerenUE - TETCO</u>	0.0%
<u>ANG/Atmos (SEMO)</u>	0.0%	<u>Missouri Public Svc-SS</u>	0.0%	<u>United Cities -Bowling Gre</u>	0.0%
<u>Fidelity Nat'l Gas</u>	0.0%	<u>Missouri Public Svc-NS</u>	0.0%	<u>ANG/Atmos (Butler)</u>	0.0%
<u>Laclede Gas Company</u>	0.0%	<u>Missouri Public Svc-ES</u>	0.0%	<u>Southern Mo Gas</u>	0.0%
<u>Missouri Gas Energy</u>	0.0%	<u>Missouri Gas Energy</u>	0.0%	<u>ANG/Atmos (Kirksville)</u>	0.0%
<u>Missouri Public Svc-ES</u>	0.0%	<u>Laclede Gas Company</u>	0.0%	<u>St. Joseph Light & Power</u>	0.0%
<u>Missouri Public Svc-NS</u>	0.0%	<u>Fidelity Nat'l Gas</u>	0.0%	<u>ANG/Atmos (SEMO)</u>	0.0%
<u>Missouri Public Svc-SS</u>	0.0%	<u>ANG/Atmos (SEMO)</u>	0.0%	<u>Missouri Public Svc-SS</u>	0.0%
<u>St. Joseph Light & Power</u>	0.0%	<u>ANG/Atmos (Kirksville)</u>	0.0%	<u>Fidelity Nat'l Gas</u>	0.0%
<u>Southern Mo Gas</u>	0.0%	<u>ANG/Atmos (Butler)</u>	0.0%	<u>Missouri Public Svc-NS</u>	0.0%
<u>United Cities -Bowling Green</u>	0.0%	<u>AmerenUE - TETCO</u>	0.0%	<u>Laclede Gas Company</u>	0.0%
<u>United Cities - Hannibal/Canton</u>	0.0%	<u>AmerenUE - PEPL</u>	0.0%	<u>Missouri Public Svc-ES</u>	0.0%
<u>United Cities -Neelyville</u>	0.0%	<u>AmerenUE - NGPL</u>	0.0%	<u>Missouri Gas Energy</u>	0.0%

**Service List for
Case No. GT-2001-329
Verified: June 4, 2001 (SW)**

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