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June 12, 2001

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

FILED³

JUN 12 2001

Missouri Public
Service Commission

**RE: Laclede Gas Company,
Case No. GT-2001-329**

Dear Mr. Roberts:

Enclosed for filing in the above referenced case, please find the original and 8 copies of **Statement of Position of the Office of the Public Counsel**. Please "file stamp" the extra enclosed copy and return it to this office. I have on this date mailed, faxed, or hand-delivered the appropriate number of copies to all counsel of record.

Thank you for your attention to this matter.

Sincerely,

Douglas E. Micheel
Senior Public Counsel

DEM:kh

cc: Counsel of record

Enclosure

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

FILED³
JUN 12 2001
Missouri Public
Service Commission

In the matter of Laclede Gas Company's tariff)
filing to implement an experimental fixed price) Case No. GT-2001-329
plan and other modifications to its Gas Supply)
incentive plan.)

**STATEMENT OF POSITION OF THE
OFFICE OF THE PUBLIC COUNSEL**

COMES NOW the Office of the Public Counsel ("Public Counsel") and for its Statement of Position states as follows:

(A) Should an incentive mechanism similar in structure to the Company's current Gas Supply Incentive Plan ("GSIP"), an alternative incentive mechanism, or no incentive mechanism, be used in connection with the management of Laclede's gas supply and transportation assets on and after September 30, 2001?

Public Counsel recommends that the Commission discontinue Laclede's current Experimental Gas Supply Incentive Plan ("GSIP"). (Busch Rebuttal p. 5). Alternatively Public Counsel has recommended modification to the GSIP should the Commission desire to continue such a plan.

(B) If an incentive mechanism is used, what should be the terms of such a mechanism?

(1) How should Laclede's gas supply commodity and demand costs be incorporated in to the structure?

Public Counsel recommends that the Commission terminate the experimental benchmark gas procurement mechanism. (Meisenheimer Rebuttal p. 10). Alternatively, if the Commission decides to maintain the experimental benchmark mechanism, Public Counsel recommends the Commission eliminate the commodity component of the benchmark and allow the Company 25% of any positive difference between the annual demand cost benchmark and the Company's actual annual demand charge costs. (Meisenheimer Rebuttal p. 11).

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(2) What provision, if any, should be made for the use of fixed price contracts and/or instruments?

Public Counsel recommends the Commission reject Laclede's Experimental Fixed Price Program ("EFPP") (Meisenheimer Rebuttal p. 20). If the Commission were to approve a fixed price mechanism Public Counsel believes it should adopt the proposal setout in Ms. Meisenheimer's Rebuttal at page 12.

(3) How should firm transportation pipeline discounts be incorporated into the incentive?

Firm transportation discounts should not be included in the experimental GSIP but treated pursuant to normal purchased gas adjustment (PGA)/actual cost adjustment (ACA) procedures. (Busch Rebuttal p. 19). Alternatively, if the Commission decides to maintain the experimental transportation discount, a baseline of \$22 million should be established prior to any ability of Laclede to profit. (Busch Rebuttal p. 20). Such ability to profit should continue using the currently approved sharing grid.

(4) How should pipeline mix be incorporated into the incentive?

Mix of pipeline services should not be included in the experimental GSIP but treated pursuant to normal PGA/ACA procedures. (Busch Rebuttal p. 19). Alternatively, if the Commission decides to maintain the experimental mix-of-pipeline services portion of the experimental GSIP a benchmark should be established at \$1.5 million utilizing the currently approved sharing grids (Busch Rebuttal p. 20).

(5) What treatment should be afforded to capacity release credits or revenues?

Capacity release revenues should not be included in the experimental GSIP, but placed in a rate case (Laclede's currently pending rate case is GR-2001-629) as a revenue stream along with off-system sales. (Busch Rebuttal p. 21). Alternatively, if the Commission decides to maintain the experimental capacity release mechanism, a baseline of \$1.9 million should be established utilizing the currently approved sharing grids (Busch Rebuttal p. 21).

(6) What treatment should be afforded to revenues from off-system sales?

Off-system sales revenue should remain in base rates as ordered by this Commission in GT-99-303. If the Commission decides to maintain the experimental capacity release mechanism, the Commission should remove off-system sales from base rates and establish a \$2.1 million baseline prior to Laclede getting the ability to profit (Busch Rebuttal p. 21).

(7) How should any savings or revenues associated with these components be determined and allocated between Laclede and its customers and what role, if any, should baselines play in that process?

Baselines should be established for transportation discounts, capacity release revenues, off-system sales and the mix-of-pipeline discounts should the Commission decide to continue the experimental GSIP.

(8) Should an earnings cap be placed on the savings and revenues retained by Laclede?

Yes, an earnings cap of \$9 million should be placed on the experimental GSIP if its is continued (Busch Rebuttal p. 22).

(9) Should a specific term for the incentive mechanism be established?

Yes. In the event that the experimental GSIP continues it should be reviewed annually (Meisenheimer Surrebuttal p. 5).

(10) How should bundled sales and transportation contracts be treated?

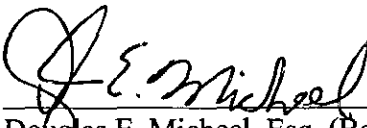
Public Counsel takes no position on this issue.

(C) If an incentive mechanism is not used, what alternative can or should be implemented in its place?

If an incentive mechanism is not used, gas costs should be treated pursuant to the historical PGA/ACA procedures.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been faxed, mailed or hand-delivered to the following counsel of record on this 12th day of June, 2001:

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