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September 27, 2001

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, Missouri 65102

FILED[2]
SEP 2 7 2001
Missouri Public Service Commission

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

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter are the original and eight (8) copies of the Request for Clarification and Motion for Expedited Treatment of Laclede Gas Company. A copy of the foregoing Request has been hand-delivered or mailed this date to each party of record.

Thank you for your attention to this matter.

Sincerely,

James M. Fischer

James M. Fischer

/jr
Enclosures

cc: Office of the Public Counsel
Dan Joyce, General Counsel
Diana Vuylsteke
Dean Cooker
Thomas M. Byrne

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. GT-2001-329

REQUEST FOR CLARIFICATION AND MOTION FOR EXPEDITED TREATMENT OF LACLEDE GAS COMPANY

COMES NOW Laclede Gas Company ("Laclede" or "Company") and, pursuant to 4 CSR 240-2.080(17) of the Commission's Rules of Practice and Procedure, submits its Request for Clarification and Motion for Expedited Treatment in the above-captioned case respectfully states as follows:

1. On September 20, 2001, the Commission issued its Report and Order in the above-captioned proceeding in which it determined that the Company's Gas Supply Incentive Plan ("GSIP") should be permitted to expire on October 17, 2001. In its Report and Order, the Commission also rejected certain tariff sheets that had been filed by Laclede on November 17, 2000 for the purpose of continuing and modifying the GSIP. (Report and Order, p. 14).

2. Laclede submits that the Commission's determinations in its Report and Order are, in numerous respects, unsupported by competent and substantial evidence, factually incorrect on their face, arbitrary and capricious, unaccompanied by findings of facts that could in any way be deemed sufficient to show how the Commission resolved controlling issues, and otherwise contrary to Missouri law. Laclede intends to address all of these deficiencies in greater detail in a separate Application for Rehearing. To determine the necessity for, and scope of, any such Application for Rehearing, however,

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Laclede requests that the Commission clarify its Report and Order as it relates to the future treatment of pipeline transportation discounts and capacity release revenues.

3. Specifically, Laclede seeks clarification of the meaning and intended effect of the following finding at page 10 of the Report and Order concerning the Company's transportation-related activities wherein the Commission states:

> (2) Discounts, such as transportation discounts, can be expected to remain a part of the purchasing process for some time to come. Laclede will continue to have the opportunity to make profits through off-system sales and temporary releases of pipeline capacity. For example, Laclede Witness Bruce B. Henning testified: "[W]ithin the context of our particular view of the market, we're not going to be in a position where there will be no discounts over the next decade. And, as such, the role of maximizing potential discounts still has a role, in my opinion, in a GSIP."

4. Consistent with the above-quoted language, Laclede will, in fact, continue to have an opportunity to make at least some profit through off-system sales, even upon expiration of the GSIP, since the revenues from such sales are currently accounted for in its general rate case proceedings. Should the GSIP be permitted to expire in its entirety, however, Laclede will not, contrary to what the Commission has stated, have an opportunity to retain any portion of the revenues it achieves through the temporary release of pipeline capacity. In fact, Section C.5 of the Deferred Purchased Gas Cost Accounts section of the Company's Purchased Gas Adjustment ("PGA") Clause specifically provides that such revenues shall be credited in their entirety to that account (and hence flowed through to customers) except for that portion that the Company is permitted to retain by virtue of the GSIP. (*See* Ninth Revised Tariff Sheet No. 21 which has been attached hereto as Attachment 1 and incorporated herein for all purposes). Similarly, permitting the GSIP to expire in its entirety will immediately eliminate any

incentive sharing for pipeline discounts, notwithstanding the Commission's statement that "transportation discounts will continue to be a part of Laclede's purchasing process for some time to come" and its citation to testimony endorsing the concept that the GSIP still has a role to play in maximizing such discounts.

5. Laclede accordingly requests that the Commission clarify its Report and Order to specify that the incentive features applicable to capacity release revenues and transportation discounts will continue upon expiration of the GSIP and until further order of the Commission. Consistent with its proposal in this case, the Company also requests that the Commission permit such incentive provisions to continue at the 35% sharing rate recommended by the Company, with the understanding that 1/7 of the Company's share will be used to provide additional energy assistance to low-income customers through the Dollar-Help Program. Specimen tariff language reflecting such a clarification is set forth in Attachment 2 hereto, which is incorporated by reference herein.

6. Laclede believes that granting this requested clarification is appropriate for a number of reasons. Specifically, such a clarification would:

- Provide a significant and needed source of energy assistance funding for low-income customers (*See* Exh. 2, pp. 8-11; Exh. 7, pp. 2-7) -- a result that would be particularly helpful in light of the state's recent failure to spend even half of the money that was appropriated for this purpose by the Missouri General Assembly;

- Accord with and implement the Commission's statement in its Report and Order that Laclede will continue to have an opportunity to profit from the temporary release of pipeline capacity;

- Ensure that the financial incentive applicable to each of these transportation-related activities is identical, thereby addressing the concerns that have been raised in this and other proceedings regarding the perverse and uneconomic incentives that can occur when different sharing percentages or structures are applied to interdependent activities (Exh. 2, p. 8);

- Address the concerns expressed by the Commission at page 11 of its Report and Order regarding the level of profits retained by the Company under the GSIP by reducing, to any even greater degree than that proposed by the Company in this case, the level of savings or revenues that could potentially be retained by the Company as a result of gas cost incentives;

- Afford Laclede at least some opportunity to earn a return on equity during the next fiscal year that, while still well below the return actually authorized by the Commission, would at least provide the Company with the minimum financial resources necessary to carry out its public utility obligations (*See* Exh. 8, p. 4; Exh. 2, pp. 29-30);

- Ensure that until the Commission formulates a new incentive approach, the only gas cost incentives applicable to Laclede will be those relating to pipeline transportation and associated activities -- activities and incentives that no one in this proceeding has alleged had anything to do with the nationwide run-up in wholesale gas prices last winter or the Company's response thereto (*See e.g.* cross-examination of Staff witness David Sommerer (Tr. 1040-41) in which Mr. Sommerer testifies that it was the commodity component, rather than the transportation discount and capacity release components of the GSIP, which, in Staff's view, contributed to the events of last winter);

- Allow Laclede to retain incentives in the same transportation-related areas for which some incentive in the form of an opportunity to share in savings and revenues has been approved and is currently in effect for the state's second and third largest LDCs, Missouri Gas Energy and AmerenUE. *See Re: Missouri Gas Energy's Fixed Commodity*

Price PGA and Transportation Discount Incentive Mechanism, Case No. GO-2000-705, Order Approving Stipulation and Agreement (August 1, 2000); *Re Missouri Gas Energy,* Case No. GR-2001-292, Order Approving Second Revised Stipulation and Agreement (July 5, 2001); *Re: Electric Company d/b/a AmerenUE for Authority to Extend its Gas Supply Incentive Plan,* Case No. GT-2001-635, Order Approving Unanimous Stipulation and Agreement; (May 31, 2001) (Tr. 1040-1041); and

- Permit Laclede to retain a portion of the savings it achieved as a result of its successful efforts last year to renegotiate at very favorable discounts, and for multi-year periods, a majority of its upstream pipeline transportation discounts. (Tr. 851-853). Rather than negotiate shorter term transportation contracts which, due to their limited duration, might have given Laclede a slightly greater discount during a period where its right to retain a share of such discounts was certain, the Company negotiated longer-term arrangements that were designed to maximize over several years the cumulative savings for both it and its customers. (*See* Tr. 354, 413-414; Exh. 3, p. 3). It would be neither equitable nor in the best interests of Missouri consumers to penalize the Company's efforts to maximize the amount and duration of such savings by prematurely ending any opportunity by the Company to benefit from its efforts. (*Id.*).

7. For all of these reasons, Laclede believes that the clarification requested herein is wholly appropriate and reasonable and that granting it will benefit the Company's customers. Laclede would therefore request that such clarification be granted by the Commission by October 5, 2001, or as soon as possible thereafter prior to the October 17, 2001 effective date of the Commission's Report and Order. Laclede made every effort to file this Request for Clarification and Motion for Expedited Treatment as soon as feasible after its receipt and review of the Commission's Report and Order.

WHEREFORE, for the foregoing reasons, Laclede respectfully requests that the Commission issue an Order by October 5, 2001, or as soon as possible thereafter prior to the October 17, 2001 effective date of its September 20, 2001 Report and Order, clarifying such Report and Order in accordance with the recommendations set forth herein and directing Laclede to file and implement the tariff sheet set forth in Attachment 2 hereto.

Respectfully submitted,

Michael C. Pendergast

Michael C. Pendergast #31763 gmc
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Request for Clarification has been duly served upon the General Counsel of the Staff of the Public Service Commission, Office of the Public Counsel and all parties of record to this proceeding by placing a copy thereof in the United States mail, postage prepaid, or by hand delivery, on this 27th day of September, 2001.

James M. Fischer

James Fischer

P.S.C. MO. No. 5 Consolidated, Ninth Revised Sheet No. 21
CANCELLING P.S.C. MO. No. 5 Consolidated, Eighth Revised Sheet No. 21

Attachment 1

Laclede Gas Company — Name of Issuing Corporation or Municipality
For Refer to Sheet No. 1 — Community, Town or City

SCHEDULE OF RATES

C. Deferred Purchased Gas Cost Accounts (Continued)

1. Such excess or deficiency in total gas cost recovery, for each sales classification (firm other than LVTSS, LVTSS and seasonal and interruptible) and for each transportation classification (firm and basic) shall be determined by a monthly comparison of the actual cost of gas, net of storage injections and withdrawals, as shown on the Company's books and records, exclusive of refunds, for each revenue month to the gas cost revenues recovered for such revenue month.

2. Each component of actual gas cost shall be allocated to the sales and transportation classifications in accordance with the CPGA components described in Paragraph 2 of Section A above relating to each component and based on the volumes sold and/or transported to the applicable customer classification during the twelve month period ending with the September revenue month. The actual costs of propane peak shaving supplies and penalties will be allocated solely to firm sales customers, including LVTSS customers.

3. The amount of gas cost revenues recovered each month for the sales classes shall be the product of the actual therm sales of each sales class and the gas cost revenue recovery components for such sales class. Such revenue recovery component shall be equal to the CPGA applicable to such sales class.

4. The amount of gas cost revenues recovered each month for the transportation classes shall be the product of the actual therms transported and the "Additional Transportation Charges," where applicable, specified in the Company's Large Volume Transportation and Sales Service tariff.

5. The Deferred Purchased Gas Cost Account shall be credited for those revenues received by the Company for the release of pipeline transmission or leased storage capacity to another party other than those revenues which are retained by the Company as described in Section D.1.a. below. Such revenues will be allocated to firm sales, including LVTSS, and firm transportation customers, consistent with the allocation of capacity reservation charges set forth in Section A.2.b.

DATE OF ISSUE December 21, 1999 (Month Day Year)
DATE EFFECTIVE December 27, 1999 ~~January 22, 2000~~ (Month Day Year)

ISSUED BY R.L. Sherwin, Assistant 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

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. Subject to the following terms and conditions which became effective October 1, 2000, the GSIP shall expire effective October 17, 2001, except for Sections D.1.a. and D.1.b. and related provisions, which sections shall remain in effect and shall be modified only to reflect a 35% Company retention percentage effective October 17, 2001.

DATE OF ISSUE ______ Month Day Year   DATE EFFECTIVE ______ Month Day Year

ISSUED BY ______ Name of Officer   Title   Address

ATTACHMENT 2