

DATA REQUESTS

CASE: Case No. GR-2001-387; Laclede Gas Company's Purchase Gas Adjustment Tariff Revisions to be Reviewed in its 2000-2001 Actual Cost Adjustment.

REQUESTED FROM: David Sommerer

REQUESTED BY: Steven Mathews

DATE REQUESTED: January 17, 2003

DATA REQUESTED: See Attached Data Requests 101-127.

DEFINED TERMS:

"Communication" means the delivery of information by any method including electronic mail, fax, regular mail, telephone, or direct conversation.

"Documents" means any writing, including notes, letters, memoranda, workpapers, reports, analyses and transcriptions, in any format, whether electronic, paper, or otherwise.

Exhibit No. 15
C GR-2001-387
[2-13-03 Rptr xf

1. Please provide copies of all workpapers supporting the surrebuttal testimony of David Sommerer in Case No. GR-2001-387.
All staff work papers supporting the surrebuttal testimony have been attached to the testimony.
2. Please provide all documents in Staff's possession that pertain to the issue of increasing the funding level for Laclede's 2000-2001 Price Stabilization Program ("PSP") above the \$4 million initially authorized by the Commission. It is not necessary to provide pleadings filed in Case No. GO-2000-394. Staff objects to the extent this request asks for details of attorney-client communications. The Staff recalls that Laclede provided slides of various call option protection levels and summaries of options at various strike prices. These documents are in Laclede's possession and were provided in at least two meetings with Staff during the summer of 2000.
3. During the period between August 1, 2000 and February 1, 2001 was any member of the Staff aware that Laclede was conducting intermediate trading activity (selling options prior to the last three business days of NYMEX option trading)?

Yes. Laclede routinely provided quarterly updates of trade confirmations during this time period. To the extent options were sold, the Staff in possession of those documents would have been aware of the quarterly activity.

4. If the answer to data request no. 3 is yes, who at Staff was aware that Laclede was trading options and not just buying them?
At a minimum, Staff members Michael Wallis and David Sommerer would have reviewed these documents. Other Staff, including Mr. Schwarz and Mr. Schallenberg may have reviewed summaries of these activities in preparation for the February 2001 hearings during this time frame.
5. Please provide any documents prepared or produced by Staff, or that are otherwise in Staff's possession that pertain to the method of calculating the Overall Cost Reduction Incentive under Laclede's 2000-2001 Price Stabilization program?
These calculations have been provided as part of Staff's testimony in this case. Also see DR #1 above.
6. Prior to February 1, 2001, did any member of the Staff communicate or assert to any employee of Laclede that the standard or method for evaluating savings achieved through intermediate trading activity under the Overall Cost Reduction Incentive would be to compare the results of

such trading activity against the results from holding the subject options until the last three business days of NYMEX option trading?

No. Neither Staff or Laclede initiated any communication regarding the standard or method for evaluating savings achieved through intermediate trading activity under the Overall Cost Reduction Incentive after the June and September, 2000 revisions to the Company's Price Stabilization Program (PSP) and prior to February 1, 2001.

7. If the answer to the previous question is yes: Please see response to 6.

- A. Who at Staff communicated this standard to Laclede personnel?
- B. To whom at Laclede was the communication directed?
- C. When and where did the communication take place?
- D. Please provide any documents regarding such communication.

8. Prior to February 1, 2001, did any member of the Staff provide any communication to any employee of Laclede regarding how to evaluate savings achieved through intermediate trading activity under the Overall Cost Reduction Incentive?

No. Neither Staff or Laclede initiated any communication regarding the standard or method for evaluating savings achieved through intermediate trading activity under the Overall Cost Reduction Incentive after the June and September, 2000 revisions to the Company's Price Stabilization Program (PSP) and prior to February 1, 2001.

9. If the answer to the previous question is yes:

- A. Who at Staff made such communication?
- B. To whom at Laclede was the communication directed?
- C. When and where did the communication take place?
- D. Please provide any documents regarding such communication.

10. During the past three years has any member of the Staff made or provided any communication to any person, entity, agency or firm that purports to describe or otherwise address how the net cost of a natural gas financial instrument is to be determined?

No.

11. If the answer to data request no. 10 is yes, please provide a copy of such communication. Please see response to 10

12. On page 5 of Mr. Sommerer's surrebuttal testimony in Case No. GR-2001-387 he indicates that Laclede customers received "\$15 ½ million" in option gains. Is it Staff's position that the \$4 million applied from year 2 of the PSP to buy options in year 3 of the PSP was not applied for the benefit of customers?
No.
13. If the answer to data request no. 12 is that the \$4 million was not applied for the benefit of customers, please provide all reasons that support such a conclusion. Please see response to 12
14. On page 8 of Mr. Sommerer's surrebuttal testimony, he states that each purchase of an option following the sale of that option position is necessarily a "reinstatement" of that position. In connection with such statement, please:
- A. Provide a citation to any provision contained in Laclede's PSP tariff, Program Description, or any other Laclede tariff, rule or regulation that defines or uses the term "reinstatement" in the manner contemplated by Staff;
The term is not found in tariffs or Orders. The term "reinstatement" is based upon the staff's attempt to address the Company's concern that interim proceeds were used in Staff's initial calculation of savings.
- B. provide a citation to any Commission Order applicable to Laclede that defines or uses the term "reinstatement" in the manner contemplated by Staff;
Please see Staff's response to A.
- C. explain whether and provide all reasons why Staff believes that each such purchase would not have taken place but for the prior sale of that option position. Please provide any documents that support such reasons.
The Staff requested detailed reasons for each of Laclede's purchases and prior sales of option positions. The Company's response did not contain those rationales. The Staff believes that it is a reasonable assumption to allocate subsequent expenditures between the choice of re-establishing an initial position and establishing a new position.
15. Did Staff propose a cost disallowance or other adjustment for Laclede in connection with the Company's purchases or sales of natural gas financial instruments during its 2001 ACA period?

Except for the adjustment relating to the calculation of PSP savings in this case, no adjustment was proposed.

16. Did Staff propose a cost disallowance or any other adjustment in connection with any other Missouri LDCs relating to purchases or sales of natural gas financial instruments during their 2001 ACA period? If so, please explain and provide all documentation setting forth, describing, justifying and quantifying such disallowance or adjustment.
No. However the staff has proposed several disallowances related to use of storage and failure to hedge during this ACA period.
17. On page 6, beginning on line 22, of Mr. Sommerer's direct testimony, the question is asked, "What are the "outs" that you mentioned earlier?" Please explain why the answer to the question only refers to Laclede opting out of the price protection incentive and does not include Laclede opting out of any other part of the program.
The answer discusses the major opting out provision and was meant to identify the part of the program that specifically referenced this element.
18. With reference to page 7, line 17, of Mr. Sommerer's direct testimony, please explain his understanding of the phrase "cost of the program" as used therein.
Because of Laclede's opting out of price protection and the requirement to cover a specific volume level, this definition of this term has become unclear. The Staff's view of the net cost of price stabilization is discussed on page 11 of Sommerer's Surrebuttal testimony in this case.
19. Did any member of the Staff review the June 1, 2000 letter that Mr. Sommerer refers to on page 9, lines 1 through 9, of his direct testimony prior to the time Staff entered into the Unanimous Stipulation and Agreement in Case No. GO-2000-394?
Yes.
20. Please state where in the PSP Tariff or Program Description it states that overall trading must be "favorable" as that concept is defined, used or contemplated by Mr. Sommerer in his testimony in this case?
The citation for the term "favorable" comes from the program description.
21. With reference to Mr. Sommerer's statement at lines 11-12 of his Surrebuttal testimony, please state what strike price was applicable to Missouri Gas Energy's program during the year 2000 and provide all documentation supporting, referencing, quantifying or otherwise addressing such strike price. Staff objects to this statement to the extent it calls for highly confidential information from another LDC. Public information on this program is available in Sommerer's Direct filing NP

version in MGE Case No. GR-2001-382 located through EFIS and the Commissions public files. The strike price attributable to MGE's PSP prior to expiration was \$4.40 as noted in Sommerer Schedule 9-5.

22. With reference to Mr. Sommerer's statement at lines 12-13 of his surrebuttal testimony that Missouri Gas Energy ("MGE") had price protection, please provide: Staff objects to the extent this request seeks highly confidential information in Commission Case No. GR-2001-382, involving MGE. Staff also objects to the request in that the information requested is contained in the Commission's central files and is voluminous.
- A. a full and complete description of the form of such price protection, including a description of any financial instruments used to provide such protection; Please see NP versions of Staff testimony filed in MGE Case No. GR-2001-382 from Lesa Jenkins, Anne Allee, John Herbert, and David Sommerer.
 - B. a quantification of the degree to which such price protection benefited MGE's customers; Please see response to A.
 - C. copies of all documents and communications that discuss, explain or assert a Staff position regarding such price protection. Please see response to A.
23. **With reference to Mr. Sommerer's discussion of the internal audit memos at page 4 of his rebuttal testimony, please provide a full and complete explanation of Mr. Sommerer's understanding of the role objectives and job responsibilities of an internal auditor working for a public company.**

The Institute of Internal Auditors (IIA) has the following definition for the profession:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

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24. With reference to Mr. Sommerer's discussion at lines 13-14 of page 12 of his surrebuttal testimony in this case regarding the \$8 million dollar adjustment against MGE, please provide a full and complete explanation of the nature, purpose and rationale for that adjustment and a copy of any Staff documents addressing or pertaining to that

adjustment. Staff objects to the extent that this request asks for highly confidential information from another LDC. The request also asks for voluminous public documents that are available in the Commission's central file in Commission Case No. GR-2001-382, involving MGE. Please see the response to 22A above.

25. With reference to Mr. Sommerer's statement regarding Staff's support for AmerenUE's decision to hedge without a pre-authorized program during the winter of 2000-2001, please provide copies of all communications and documents expressing such support and provide the date that such communications were made or documents prepared.

The statement in Mr. Sommerer's surrebuttal is found on page 12, lines 14-18, and states: "The suggestion that Staff only considered historical call option programs as reasonable is also invalid since the Staff supported AmerenUE's decision to hedge without a pre-authorized program the winter of 2000-2001."

It is a matter of record that AmerenUE's program ended with its 1998-1999 ACA period pursuant to Case No. GO-98-486. AmerenUE did not renew the program for the 1999-2000 ACA period or the 2000-2001 ACA period. The Staff did not make any filing criticizing this decision or seeking to re-instate the historical program. The Staff has routinely suggested that LDCs gas supply portfolios should not rely too heavily on index pricing and be diversified.

No Staff document exists that specifically states Staff's support for AmerenUE's decision.