

Gottsch Gary

From: Williams, Denny
Sent: Wednesday, February 15, 2006 10:17 AM
To: Gottsch Gary; Heidtbrink Scott
Cc: Clemens, Gary; Lowsley, Tom; Korte, Andrew
Subject: RE: St. Joe steam usage volumes

The sharing mechanism in the steam case provides for the flow through of hedge costs into the fuel sharing mechanism. Therefore, I believe that hedging of the anticipated gas volumes necessary to serve the steam load is prudent and that a policy similar to the one for electric volumes (1/3, 1/3, 1/3) if stated in advance in writing would be deemed prudent.

Just one note of clarification. The steam settlement has not been filed with the Commission yet pending some last minute Staff review. However, I do not think that impacts the prudence of our decision to hedge the gas volumes. We should follow whatever procedure we would normally take whether or not there is sharing mechanism.

From: Gottsch, Gary
Sent: Wednesday, February 15, 2006 10:07 AM
To: Williams, Denny; Heidtbrink, Scott
Cc: Clemens, Gary; Lowsley, Tom; Korte, Andrew
Subject: FW: St. Joe steam usage volumes

I will draft a procedure for the Risk Management committee review. At this point we would envision a procedure similar to the plan already in place for Missouri Electric designed for budgeted volumes, using the 1/3, 1/3, 1/3 strategy. We are assuming that the procedure would be deemed prudent with respect to the rate stipulation's risk sharing design.

From: Gottsch, Gary
Sent: Wednesday, February 15, 2006 9:46 AM
To: Heidtbrink, Scott; Korte, Andrew
Cc: Lowsley, Tom
Subject: St. Joe steam usage volumes

I have received from Tim Nelson a budget for steam usage volumes for St. Joe due to new and expanding existing customers. I have a breakdown by month for Nat Gas consumption for this purpose which amounts to around 1.5 BCF for '06, and around 2.4 BCF for '07 & '08 each. The discussion in the past is that we may want to incorporate these volumes into our Missouri Electric gas hedge plan. 1) Is that still the case? 2) If so, when can I begin to implement? 3) Do we want to keep these volumes separated or just fold them into the existing Missouri Electric Hedge plan? 4) Is the 1/3, 1/3, 1/3 approach still acceptable?

Gary Gottsch

Aquila Networks-Energy Resources

816-737-7825 work

816-896-9282 cell

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