

<b>Exhibit No.:</b>	
<b>Issue:</b>	<b>Hedging Activities</b>
<b>Witness:</b>	<b>Steven F. Mathews</b>
<b>Type of Exhibit:</b>	<b>Surrebuttal Testimony</b>
<b>Sponsoring Party:</b>	<b>Laclede Gas Company</b>
<b>Case No.:</b>	<b>GR-2002-356</b>
<b>Date:</b>	<b>August 23, 2002</b>

**LACLEDE GAS COMPANY**  
**GR-2002-356**  
**SURREBUTTAL TESTIMONY**  
**OF**  
**STEVEN F. MATHEWS**

**\*\*Denotes Highly Confidential Information\*\***

**NP**

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

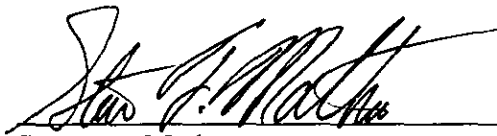
In the Matter of Laclede Gas Company's     )  
Tariff to Revise Natural Gas Rate         )     Case No. GR-2002-356  
Schedules.                                     )

A F F I D A V I T

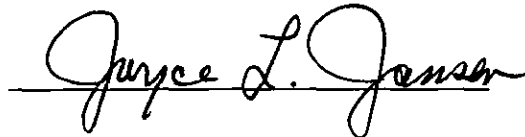
STATE OF MISSOURI     )  
                               )     SS.  
CITY OF ST. LOUIS     )

Steven F. Mathews, of lawful age, being first duly sworn, deposes and states:

1. My name is Steven F. Mathews. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Assistant Vice President-Gas Supply of Laclede Gas Company.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony, consisting of pages 1 to 3, and Schedule No. 1 inclusive.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

  
Steven F. Mathews

Subscribed and sworn to before me this 22<sup>nd</sup> day of August, 2002.



JOYCE L. JANSEN  
Notary Public — Notary Seal  
STATE OF MISSOURI  
ST. CHARLES COUNTY  
My Commission Expires: July 2, 2005

## **SURREBUTTAL TESTIMONY OF STEVEN F. MATHEWS**

1

2 Q. What is your name and with whom are you employed?

3 A. My name is Steven F. Mathews and I am employed by Laclede Gas Company.

4 Q. Are you the same Steven F. Mathews that previously filed rebuttal testimony in this case.

5 A. Yes.

6 Q. What is the purpose of your surrebuttal testimony in this case?

7 A. The purpose of my surrebuttal testimony is to respond to that portion of the rebuttal  
8 testimony of Public Counsel witnesses Ryan Kind and Barbara Meisenheimer in which  
9 they criticize the Company's proposals to mitigate weather risk because the proposals do  
10 not address the natural gas commodity price risk to the Company's customers.

11 Q. Are these concerns valid?

12 A. No. Public Counsel should be well aware that the Company has already taken  
13 considerable steps to mitigate the upward natural gas price risk to its customers through  
14 the development, authorization and implementation of the Company's Risk Management  
15 Strategy. Information explaining the strategy was provided to Staff on April 12, 2002 and  
16 is attached hereto as Surrebuttal Schedule SFM-1 to my surrebuttal testimony. A copy of  
17 the strategy was also provided to Public Counsel on April 19, 2002.

18 Q. What is the overall goal of the Company's Risk Management Strategy?

19 A. The goal is to achieve prices that represent reasonable value for our customers while  
20 maintaining price stability and minimizing the quantity of higher price gas that the  
21 Company purchases.

1 Q. Could you briefly describe the strategy?

2 A. Yes. Under the strategy, price risk protection is achieved in three ways. First, the strategy  
3 incorporates both price and time driven hedging parameters, which ensures the acquisition  
4 of a considerable level of price protection in a disciplined manner. Second, unlike past  
5 Company practices, the strategy includes price protection on volumes of natural gas that  
6 the Company stores in the summer in order to mitigate winter price volatility. And third,  
7 the strategy provides for the use of additional risk management tools to facilitate greater  
8 and more suitable coverage than in the past.

9 Q. What quantity of natural gas purchases can be expected to be protected under the  
10 Company's strategy?

11 A. \*\* \_\_\_\_\_  
12 \_\_\_\_\_  
13 \_\_\_\_\_  
14 \_\_\_\_\_  
15 \_\_\_\_\_  
16 \_\_\_\_\_  
17 \_\_\_\_\_

18 \_\_\_\_\_ \*\* Obviously, the successful  
19 implementation of this strategy assumes the Company has the financial capability to  
20 adequately fund the purchases of such price protection.

21 Q. Has the Company begun implementing the strategy for the 2002-2003 winter heating  
22 season?

1 A. Yes. \*\*  
2  
3  
4  
5  
6  
7  
8 \*\*

9 Q. Will the Company's strategy mitigate upward natural gas price risk for its customers  
10 during the upcoming 2002-2003 winter heating season?

11 A. Yes.

12 Q. Will the Company use the strategy beyond the 2002-2003 winter heating season?

13 A. The Company anticipates using the strategy beyond 2002-2003. As I previously stated,  
14 the Company provided a copy of the strategy to both Public Counsel and Staff. To date,  
15 neither party has expressed any concerns to the Company with regard to the use of its  
16 strategy for managing price risk for its customers. The strategy was developed as a multi-  
17 year risk management strategy; however, it will be reviewed annually.

18 Q. Does this complete your testimony?

19 A. Yes.

20

21

Surrebuttal Schedule SFM-1

**THIS ENTIRE SCHEDULE CONSISTING OF 5 PAGES IS CONSIDERED  
HIGHLY CONFIDENTIAL**