

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 4th
day of October, 1989.

In the matter of the application of The Kansas)	
Power and Light Company for issuance of an)	<u>CASE NO. GO-90-51</u>
Accounting Order relating to its Missouri)	
natural gas operations in Missouri.)	

ORDER

On August 29, 1989, The Kansas Power and Light Company (KPL) filed an application requesting the Commission authorize KPL to accumulate and recover in its future rates the expenses and carrying costs which have and will be incurred by KPL in connection with KPL's service line testing and replacement program. KPL states that without the authority it will be permanently deprived of an opportunity to recover these costs. Specifically KPL states:

KPL accordingly seeks authority to accumulate in account 186, and recover in the permanent rates established in the rate case filed by KPL on August 29, 1989, those increased costs, expenses, and carrying costs (at a rate equivalent to 10.96 percent per annum) which KPL has incurred since the commencement of its expanded Gas Safety Program and will continue to incur until this Commission authorizes KPL to increase its rates to reflect such costs on a going-forward basis. These expenses include, but are not limited to, (1) the costs incurred by KPL to conduct accelerated leak surveys of customer and Company-owned piping, (2) the additional operating and maintenance costs which KPL has or will incur as a result of its expedited Service Line Replacement Program, and (3) the carrying costs and depreciation expense associated with KPL's increased investment in its Service Line Replacement Program.

Public Counsel and Commission Staff filed responses in opposition to the granting of the requested authority. Public Counsel argues that the authority should not be granted because approval would constitute retroactive ratemaking and the costs to be accounted for are indefinite.

Staff opposes the granting of the authority since the amounts are indefinite and the application in effect is seeking approval of whatever KPL decides to place in the account. Staff also opposes the recovery of past levels of these kinds of extraordinary expenses, including carrying costs. Staff states that KPL should recover such items pursuant to deferral and subsequent amortization as specified in the Uniform System of Accounts (Account 186) if such recovery is approved by the Commission in KPL's general rate case proceeding. Staff states that it is appropriate for KPL to book the costs in Account 186 and then seek recovery of these costs in the context of a general rate proceeding.

The Commission has reviewed the pleadings of KPL, Public Counsel and Staff. From KPL's initial filing it appears that KPL is seeking preapproval for recovery of costs associated with KPL's testing and replacement of unprotected steel service lines. From KPL's replies to Staff and Public Counsel's pleadings, it appears now that KPL is only seeking authority to book the costs for potential recovery in a general rate case.

Since KPL indicates it is only seeking authority to reserve these costs in an appropriate account, the Commission has determined that the limited authority will be granted. Based upon Staff's pleading, KPL will be granted authority to book the costs, other than capital costs, in Account 186. KPL then may seek recovery of these costs in the appropriate general rate proceedings. KPL should book capital costs to the appropriate capital accounts and incorporate them into the cost of service for recovery as a rate base item.

It is, therefore,

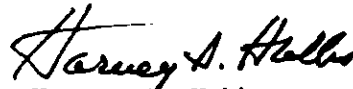
ORDERED: 1. That The Kansas Power and Light Company is hereby authorized to book expenses associated with the testing and replacement program for unprotected steel service lines in Account 186.

ORDERED: 2. That The Kansas Power and Light Company shall book capital costs associated with its testing and replacement program of unprotected steel service lines in the appropriate capital accounts.

ORDERED: 3. That nothing in this Order shall be considered as a finding by the Commission of the reasonableness of the expenditures herein involved, or of the value for ratemaking purposes of the properties herein involved, nor as an acquiescence in the value placed upon said properties by the Applicants. Furthermore, the Commission reserves the right to consider the ratemaking treatment to be afforded these costs in any later proceeding.

ORDERED: 4. That this Order shall become effective on the date hereof.

BY THE COMMISSION


Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Mueller, Fischer,
and Rauch, CC., Concur.

