

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Case No. GR-82-151

In the matter of The Gas Service
Company of Kansas City, Missouri,
for authority to file tariffs
reflecting an increase in rates for
gas service provided to customers
in the Missouri service area of the
Company.

APPEARANCES: Gerald T. McNeive, Jr., General Counsel, 2460 Pershing Road, Kansas
City, Missouri 64108, for The Gas Service Company.

W. H. Bates, Stuart W. Conrad, Attorneys at Law, Box 1200, Kansas
City, Missouri 64141, for Midwest Gas Users Association and Armco,
Inc.

Steven Dottheim, Mary Ann Garr, William C. Harrelson, Attorneys,
P. O. Box 360, Jefferson City, Missouri 65102, for the Staff of
the Missouri Public Service Commission.

Richard W. French, Attorney, 1014 Northeast Drive, Jefferson
City, Missouri 65102, for the Office of Public Counsel.

Daniel S. Ochstein, Attorney at Law, P. O. Box 300, Holts Summit,
Missouri 65043, for Missouri Public Interest Research Group.

REPORT AND ORDER

On November 25, 1981, The Gas Service Company of Kansas City, Missouri,
filed with the Missouri Public Service Commission (Commission) revised tariffs
designed to increase rates for natural gas service provided to customers in the
Missouri service area of the Company. The Commission suspended the tariffs and
subsequently set the case for hearing.

On July 19, 1982, the evidentiary hearing was opened for purposes of
marking a Stipulation and Agreement executed by various parties to this proceeding.

On July 21, 1982, the evidentiary hearing in this matter was held for
purposes of the presentation of said Stipulation and Agreement.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

The Staff of the Missouri Public Service Commission, the Company, the Office of Public Counsel, and Intervenor Midwest Gas Users Association, Armco, Inc., and Missouri Public Interest Research Group (MoPIRG), presented a Stipulation and Agreement at the July 21, 1982 hearing. The City of St. Joseph, Missouri, is not a party to Stipulation and Agreement and it did not appear before the Commission on July 19 or 21, 1982, or participate in the prehearing conference. The Stipulation and Agreement represents a settlement of all issues in this case. After presentation and discussion of the Stipulation and Agreement, the hearing was adjourned. The Stipulation and Agreement which has been marked as Exhibit 4 adequately recites the procedural background of this case and is hereinafter set forth in its entirety.

STIPULATION AND AGREEMENT

On November 25, 1981, The Gas Service Company (Company) of Kansas City, Missouri, filed revised tariffs with the Commission, designed to increase revenues by \$17,923,325 exclusive of gross receipts and franchise taxes on an annual basis for service rendered to its Missouri customers. The revised tariffs bore a requested effective date of December 28, 1981. By Suspension Order dated December 17, 1981, the Commission suspended said tariffs for a period of one hundred twenty (120) days beyond the requested effective date to April 27, 1982, and further suspended said tariffs by Second Suspension Order And Notice Of Proceedings dated January 28, 1982, for an additional six (6) months until October 27, 1982.

Midwest Gas Users Association, Armco, Inc., the City of St. Joseph, Missouri, and the Missouri Public Interest Research Group (MOPIRG) were granted leave to intervene in this proceeding by Order Granting Interventions dated March 2, 1982.

On June 4, 1982 an agreement between the Company and Staff respecting the treatment of documents asserted to be of a confidential nature was filed with the Commission.

By Order Setting Local Hearings dated April 29, 1982, the Commission directed that local hearings be held in Joplin and Harrisonville on June 25, 1982 and in Kansas City, Missouri on June 26, 1982, for the purpose of soliciting the responses of the general

public regarding the Company's proposed rate increase.

By its Second Suspension Order and Notice of Proceedings dated January 28, 1982 a schedule of proceedings was set to orderly resolve this matter. The Company was ordered to file its minimum filing requirements and its prepared direct testimony and exhibits on or before March 8, 1982. The Staff, Public Counsel, and each intervenor were directed to file prepared direct testimony and exhibits with the Commission on or before June 24, 1982. The Commission in its Order directed that a prehearing conference commence on July 6, 1982 and continue through July 9, 1982, as necessary, and for the hearing to commence on July 19, 1982, and continue through July 30, 1982, as necessary. The Commission also directed that any proper entity desiring to intervene and participate should file an application to intervene on or before March 1, 1982.

On February 12, 1982, Company timely filed its minimum filing requirements and prepared direct testimony and exhibits of William S. Lalonde, 3d, Kenneth E. Holeman, Billy Robert Basinger, Chester W. Thompson, Harold W. Steenbergen, R. E. Sandhaus, Steven C. Johnson, L. W. Loos, Francis E. Jeffries, Mark D. Shulman, David A. Montgomery and James M. Kenney.

On June 18, 1982, Staff caused to be filed with the Commission a Motion For Extension Of Time In Which To File Prepared Direct Testimony And Schedules seeking an extension until on or before June 28, 1982 to file Staff's accounting and rate design prepared direct testimony and schedules. The Company filed with the Commission on June 21, 1982 its Response Of The Gas Service Company In Opposition To Staff's Motion For Additional Time To File Its Prepared Testimony And Schedules. On June 22, 1982, the Commission issued an Order in which it granted Staff's Motion For Extension Of Time In Which To File Prepared Direct Testimony And Schedules and rescheduled the prehearing conference to begin on July 8, 1982, continuing as necessary, with a hearing memorandum or stipulation to be filed on or before 5:00 p.m. July 16, 1982. Staff filed the prepared direct testimony and exhibits of Ronald L. Shackelford and John O. Richey on June 23, 1982 and the prepared direct testimony and exhibits of Donna S. Call, Theodore J. Sommer, Edward A. Tocey, Phillip K. Williams, and Bohdan Matisziw on June 28, 1982.

On June 22, 1982, the Public Counsel caused to be filed with the Commission Public Counsel's Motion For Additional Time To File Its Prepared Testimony And Schedules requesting an extension of time to on or before June 28, 1982. The Commission granted the Public Counsel's Motion on June 23, 1982 in its Order Granting Motion. The Public Counsel filed the prepared direct testimony and exhibits of Steven Andersen and Tom A. Werdenhause on June 28, 1982.

The Midwest Gas Users Association and Armco, Inc. filed with the Commission on June 24, 1982 the prepared direct testimony and exhibits of Dennis M. Kies.

On June 28, 1982, the Company filed with the Commission updated/supplemental prepared direct testimony and exhibits.

The local hearings were held on June 25 and 26, 1982.

On July 2, 6, and 7, 1982, the Company deposed Donna S. Call, Edward A. Tooley, Phillip K. Williams, Theodore J. Sommer, Steven Andersen, Tom A. Werdenhouse, Ronald L. Shackelford, and Bohdan Matisziw.

On July 8, 1982, the prehearing conference commenced pursuant to the Commission's Order of June 22, 1982. Representatives of the Company, Staff, Public Counsel, the Midwest Gas Users Association and Armco, Inc., and MOPIRG attended and participated in the prehearing conference. At no time during the prehearing conference did the City of St. Joseph, Missouri make an appearance.

As a result of said prehearing conference, the parties that attended and participated stipulate and agree:

1. That Company shall be authorized to file revised tariffs designed to increase its annual gross revenues for gas service provided to its Missouri customers in the amount of \$10,648,000, exclusive of applicable gross receipts and franchise taxes.

2. That the revised tariffs to be filed in accordance with paragraph 1 hereinabove shall become effective for gas service rendered on and after August 10, 1982, and shall be in substantially the same form as those attached hereto and incorporated herein by reference as Appendix A. These revised tariffs do not include, and are independent of, any changes to Company's purchased gas adjustment clause (tariff sheet No. 3.31), which may occur subsequent to the execution of this Stipulation and Agreement and prior to the effective date of the revised tariffs to be filed in accordance with this Stipulation and Agreement.

3. That Company agrees to accrue depreciation expense using the annual accrual rates, as set forth in Appendix B, attached hereto and incorporated herein by reference. All parties agree that these annual depreciation rates are to remain in effect until changed upon approval by this Commission, but in no event for a period less than three years, commencing August 10, 1982, and that no change in these rates will be implemented within that time period, unless required as a result of substantial changes in Company's circumstances.

4. That the Report and Order of the Commission approving this Stipulation and Agreement shall contain the following specific provisions:

ORDERED: Company is authorized to use "the accelerated cost recovery system" (ACRS) for calculating depreciation for income tax deduction purposes and is further authorized to use a normalization method of accounting for ACRS, as defined and prescribed in the Economic Recovery Tax Act of 1981, and as defined and prescribed in any rulings or regulations which might be promulgated to further explain or define the provisions of that act.

5. That Company and the Staff agree to examine the piece of pipe offered at the Joplin public hearing by witnesses Wilson and Ceselski and marked as Public Counsel Exhibit 1. Public Counsel

agrees to provide information as to the place where the pipe was located. Company and the Staff agree to investigate the information presented by Public Counsel and report their findings to the Commission and Public Counsel and discuss the matter further, as necessary. Company will make any repairs it deems necessary to fulfill its obligation to render safe and adequate service.

6. That Company agrees to make a reasonable effort to identify all the costs, including the wage expense of its regular employees, to be incurred as a result of its next general rate case before the Commission and to provide such information to Public Counsel. The provision of such information to Public Counsel does not constitute an express or implied approval of or consent to any use Public Counsel may put to such information, each and every right to object to such use being strictly reserved.

7. That Company agrees to continue to provide, to the Staff and Public Counsel, Company's daily take from its wholesale suppliers, Cities Service Gas Company and Panhandle Eastern Gas Company; Company's daily take disaggregated among the Kansas City, St. Joseph and Springfield areas, with such daily take categorized as either firm or interruptible. Said information shall continue to be supplied by Company in a machine readable form.

8. That Company agrees to file a revised tariff to increase the interest it shall pay on customer deposits from six percent to nine percent, effective on and after the effective date of August 10, 1982.

9. That Company and the Staff will work together on Company's performing a statistically accurate analysis of the revenue lag of Company's regular billing customers and its customers on Company's Level Payment Plan. Said analysis shall be performed in time for filing in Company's next permanent general rate case.

10. That this Stipulation and Agreement is intentionally silent respecting an agreed rate of return.

11. That this Stipulation and Agreement represents a negotiated dollar settlement for the sole purpose of disposing of Case No. GR-82-151, and none of the parties to this Stipulation and Agreement shall be prejudiced by or bound by the terms of this Stipulation and Agreement in any future proceeding or in this proceeding in the event the Commission does not approve this Stipulation and Agreement in its entirety.

12. That none of the parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking principle or any method of cost of service determination or cost allocation underlying any of the rates and tariffs provided for in this Stipulation and Agreement.

13. That the prefiled testimony and exhibits, including supplemental testimony and exhibits, if any, sponsored by Company witnesses William S. LaLonde, 3d, Francis E. Jeffries, Kenneth E. Holeman, Harold W. Steenbergen, Steven C. Johnson, Billy Robert Basinger, Chester W. Thompson, David A. Montgomery, R. E. Sandhaus,

L.W. Loos, Mark D. Shulman, and James M. Kenney; Staff witnesses Donna S. Call, Theodore J. Sommer, Edward A. Tooley, Phillip K. Williams, Ronald L. Shackelford, John O. Richey, and Bohdan Matisziw; Public Counsel witnesses Steven Andersen and Tom S. Werdenhouse; and Midwest and Armco witness Dennis Kies shall be received into evidence without the necessity of said witnesses taking the witness stand;

14. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their rights to cross-examine the witnesses named in the foregoing paragraph with respect to the prefiled testimony and exhibits sponsored by such witnesses.

15. That the Staff shall have the right to submit to the Commission, in memorandum form, an explanation of its rationale for entering into this Stipulation and Agreement, and to provide to the Commission whatever further explanation the Commission requests, and that such memorandum shall not become a part of the record in this proceeding and it shall not bind or prejudice the Staff in any future proceeding, or in this proceeding in the event the Commission does not approve the Stipulation and Agreement. It is understood by the parties hereto that any rationales advanced by the Staff in such a memorandum are its own and not acquiesced in or otherwise adopted by such other parties.

16. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights pertaining to (1) the presentation of oral argument or filing of written briefs, pursuant to Section 536.080(1), RSMo 1978; (2) the reading of the transcript by the Commission, pursuant to Section 536.080(2), RSMo 1978; and (3) judicial review, pursuant to Section 386.510, RSMo 1978.

17. That the provisions of this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are interdependent; that in the event the Commission does not approve and adopt this Stipulation and Agreement in total, and in the event the tariffs agreed to herein and attached hereto do not become effective for service rendered in accordance with the provisions contained herein, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

Respectfully submitted,

/s/

Gerald T. McNeive, Jr.

General Counsel

THE GAS SERVICE COMPANY

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/s/

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INTEREST RESEARCH GROUP

Dated on this 15th day of July, 1982.

Conclusions

The Missouri Public Service Commission has arrived at the following conclusions:

The Gas Service Company is a public utility subject to the jurisdiction of this Commission pursuant to Chapters 386 and 393, RSMo 1978. The Gas Service Company's revised tariffs which are the subject matter of this proceeding were suspended pursuant to authority vested in this Commission by Section 393.150, RSMo 1978.

For ratemaking purposes, the Commission may accept a stipulation and agreement in settlement of any contested matters submitted by the parties. The

Commission is of the opinion that the matters of agreement between the parties in this case are reasonable and proper and should be accepted.

It is, therefore,

ORDERED: 1. That the Stipulation and Agreement entered into between The Gas Service Company, the Staff of the Missouri Public Service Commission, the Office of Public Counsel, and Intervenor Midwest Gas Users Association, Armco, Inc., and Missouri Public Interest Research Group, in Case No. GR-82-151 as set forth herein, is hereby accepted and adopted in disposition of all matters in this proceeding.

ORDERED: 2. That for the purpose of implementing the Stipulation and Agreement entered into in this proceeding, the revised tariffs filed by The Gas Service Company in Case No. GR-82-151 be, and the same are, hereby disapproved, and the Company is authorized to file in lieu thereof tariffs consistent with the Stipulation and Agreement.

ORDERED: 3. Company is authorized to use "the accelerated cost recovery system" (ACRS) for calculating depreciation for income tax deduction purposes and is further authorized to use a normalization method of accounting for ACRS, as defined and prescribed in the Economic Recovery Tax Act of 1981, and as defined and prescribed in any rulings or regulations which might be promulgated to further explain or define the provisions of that act.

ORDERED: 4. That the tariffs to be filed for Commission approval pursuant to this Report and Order may be effective for service rendered on and after August 10, 1982.

ORDERED: 5. That this Report and Order shall become effective on August 10, 1982.

(S E A L)

BY THE COMMISSION

Fraas, Chm., Dority and Shapleigh,
CC., Concur., McCartney, Musgrave,
CC., Absent.

Harvey G. Hubbs
Harvey G. Hubbs
Secretary

Dated at Jefferson City, Mo.
this 6th day of August, 1982