STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service Commission held at its office in Jefferson City on the 18th day of November, 1994.

In the matter of Union Electric Company's filing of Purchased Gas Adjustment factors to be audited in its 1992-1993 actual cost adjustment filing.	)	Case No. GR-93-106

ORDER APPROVING STIPULATION

On September 13, 1993, Union Electric Company (UE) filed tariff sheets reflecting changes in the purchase gas adjustment (PGA) factors for all three of its Missouri natural gas service areas as the result of recalculated actual cost adjustment factors (ACA), the calculation of new PGA factors, and the termination of a refund in one area. This filing was made pursuant to UE's PGA clause for the nine month period of August 1, 1992 through April 30, 1993, the 1992-93 ACA period. The Staff of the Commission performed its audit of the ACA rates and filed its recommendation on March 1, 1994. In that recommendation the Staff proposed adjustments in three areas. The Staff and UE were unable to reach agreement regarding the proposed adjustment of contract demand/firm transportation rates. The Staff sought an adjustment of approximately $2.8 million to reflect the Staff allegation of higher than average reliance on Panhandle Eastern Pipeline (PEPL) for supply contract demand rather than firm transportation capacity.

On June 14, 1994, the Commission, at the request of the parties, established a procedural schedule for the prosecution of this matter. After the filing of testimony, on October 27, 1994, the parties filed a Stipulation and Agreement, in which agreement was reached regarding the remaining issue in this case, for Commission approval.

The sole issue remaining as the result of the Staff audit and recommendations involves the contract demand/firm transportation rate adjustment of $2.8 million. The ACA audit involves a detailed review to establish the accuracy of the LDC's pass-through of increases and decreases in the cost of gas, done as part of the PGA process without benefit of a rate case. In addition, the ACA audit involves an evaluation of the prudence of the various purchasing decisions affecting the gas costs during the period in question.

This particular ACA period, that being a nine month period from August 1992 through April 1993, was a period which reflected the completion of the FERC efforts to unbundle the natural gas industry. This culminated in the implementation of FERC Order 636 in April 1992. Prior to the implementation of FERC Order 636, a period of time was given in order for the LDC's to convert services from a high level of contract demand service to an increasing level of firm transportation service. During the period in question, it was the Staff's contention that UE continued to maintain a level of contract demand service far in excess of the level necessary or appropriate to provide reliable service. The Staff also maintained that UE's level of contract demand service was substantially higher in relation to its firm transportation service than any of the other local LDC's using PEPL service at the time.

UE, for its part, maintained that it acted prudently in contracting for the level of contract demand service during the period. UE points out that this period was the last one prior to FERC Order 636 becoming fully effective. UE states that it was operating under the belief that, by maintaining this level of contract demand service, it was insuring conversion rights for post-636 necessary capacity on the PEPL pipeline.

In paragraph No. 1 of the Stipulation and Agreement, the parties agree to decrease gas costs as the result of the above issue by $100,000. UE agrees to reflect this adjustment to its firm sales customers in its 1994-95 ACA filing in Case No. GR-94-353. UE acknowledges that it is currently contesting the issue raised by the Staff in FERC Docket No. RP92-166. The parties agree that, should a reduction in sales service demand rates result from this FERC docket, UE will be entitled to retain 4% of the refund up to the full amount of $100,000.

Paragraph No. 2 of the agreement reflects the resulting agreed upon ACA balances for the period in question which are:

UE Service Area	Customer Classes Firm	Interruptible
PEPL	$13,172,665	($243,929)
TETC	$ 2,130,660	($234,542)
Natural Gas Pipeline Co. of America	$ 146,470	

Paragraph Nos. 3, 4, and 5 relate to various matters involving UE's operational procedures and are as follows:

> 3. UE agrees that it will meet with the Staff, at its request, prior to the commencement of the Staff's audit of each future UE ACA filing, to discuss the activities of UE during the applicable ACA period.
>
> 4. UE agrees to hereafter prepare a written study or analysis of (i) each material natural gas-related contract decision; and (ii) each major FERC decision materially affecting UE in proceedings of pipelines providing service to UE and final FERC regulations which materially affect UE. Subject to applicable legal privileges, UE agrees to provide such document to the Staff upon its request during the applicable ACA audit.
>
> 5. UE agrees to hereafter continually monitor its participation before the FERC as a member of the Panhandle Customer Group and not join in Group activities in instances when, in UE's judgment, its interests are not adequately protected.

The remainder of the proposed agreement contains various standard clauses. The agreement is signed by the Staff, UE, the OPC, and Missouri Gas Energy, a limited intervenor.

The Commission has reviewed the proposed Stipulation and Agreement and finds it to be reasonable and in the public interest. The Commission notes the importance of purchasing and contract management in a post-636 environment and would encourage thorough and efficient monitoring, analysis, and review as agreed to here by UE and the Staff. The Commission will approve the Stipulation and order the parties to comply with those matters agreed to therein.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement, attached hereto and incorporated by reference herein as Attachment No. 1, is hereby approved.

2. That Union Electric Company will reflect the $100,000 gas cost adjustment agreed to in paragraph No. 1 of Attachment A in its 1994-95 ACA filing, currently docketed as Case No. GR-94-353.

3. That the ACA balances as set out in paragraph No. 2 of Attachment A are hereby approved for the 1992-93 ACA period and Union Electric Company is hereby ordered to carry out the applicable procedures for implementation of the ACA as set out in paragraph No. 2 of Attachment A.

4. That Union Electric Company is authorized to implement the refund retention in accordance with Paragraph No. 1 of Attachment A and to file the appropriate revised tariff sheet in accordance therewith.

5. That Union Electric Company is ordered to fully comply with paragraph Nos. 4, 5, and 6 of Attachment A of this order as agreed to.

6. That this order shall become effective on November 29, 1994.

BY THE COMMISSION

David L Rauch

David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins
and Crumpton, CC., Concur.
Kincheloe, C., Absent.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Union Electric Company's filing of Purchased Gas Adjustment Factors to be audited in its 1992-1993 actual cost adjustment filing.	Case No. GR-93-106

STIPULATION AND AGREEMENT

On September 13, 1993, Union Electric Company ("UE") submitted to this Commission tariff sheets reflecting changes in the Purchased Gas Adjustment (PGA) factors for all three of its Missouri natural gas service areas as the result of recalculated Actual Cost Adjustment (ACA) factors, the calculation of new PGA factors and the termination of a refund in one area. This filing was made pursuant to provisions of UE's PGA Clause which required a reconciliation of gas costs with purchased gas cost revenue recoveries for the nine month period of August 1, 1992 through April 30, 1993 (the "1992-1993 ACA Period"). The proposed tariffs contained a requested effective date of September 28, 1993.

By Order dated September 24, 1993, the Commission authorized the proposed tariffs to become effective on and after September 28, 1993, interim subject to refund to allow the Commission Staff ("Staff") additional time to complete an audit of the ACA portion of UE's filing and submit its recommendation by March 1, 1994.

On March 1, 1994 (as amended on March 30, 1994), the Staff, filed its recommendation ("Recommendation") with the Commission in which it stated that it had performed an audit of the ACA rates filed by UE and found three exceptions for which it proposed adjustments to be carried forward and incorporated in UE's next ACA filing. In the Staff's first exception, identified as Exception A in its Recommendation, UE's sales service contract demand levels and firm transportation capacity levels with Panhandle Eastern Pipe Line Company ("PEPL") during the 1992-1993 ACA Period were questioned and a decrease of gas costs to UE's PEPL-related firm customers of $2,800,000 was proposed. This proposed adjustment was subsequently revised to $2,520,000 by Staff witness David M. Sommerer's Rebuttal Testimony. The Staff's second exception, Exception B in its Recommendation, referred to an inadvertent carry-forward by UE from the prior ACA balance and proposed a decrease of gas costs to UE's PEPL-related firm customers of $532,054. The third or Exception C in the Staff's Recommendation proposed a reallocation of the take-or-pay ("TOP") cost component for UE's firm and interruptible customers supplied from the PEPL and the Texas Eastern Transmission Corporation ("TETC") systems.

On March 31, 1994, UE filed with the Commission its response to the Staff's Recommendation in which it disputed the Staff's Exception A and agreed to Exceptions B and C. UE reflected its agreement with the Staff's Exceptions B and C by incorporating the adjustments proposed thereunder into its 1993-1994 ACA filing dated April 18, 1994, docketed as Case No. GR-94-123, which was approved interim subject to refund by Order of the Commission dated April 27, 1994.

By Order dated April 5, 1994, the Commission granted the motion filed by Missouri Gas Energy and United Cities Gas Company to intervene for the limited purpose of protecting their interests regarding their gas purchasing practices.

By Order dated June 14, 1994, the Commission established a procedural schedule for interventions, the prefiling of testimony and schedules, a prehearing conference and an evidentiary hearing. No additional applications to intervene were filed in this proceeding. On July 22, 1994, Direct Testimony and Schedules of Scott A. Glaeser were filed on behalf of UE and on September 20, 1994, Rebuttal Testimony and Schedules of David M. Sommerer were filed on behalf of the Staff. Extensive discovery, including depositions of Missouri Public Service employee Michael G. Megaris and UE employees Scott A. Glaeser and Robert K. Neff, was performed by the Staff and UE in connection with the filing of testimony.

Pursuant to the procedural schedule established by the Commission, a prehearing conference was convened on September 26, 1994. UE, the Staff and the Office of the Public Counsel appeared and participated at the prehearing conference. Missouri Gas Energy and United Cities Gas Company, as limited intervenors, did not attend the conference. Based on the testimony filed in this proceeding, the discovery conducted in connection with such testimony and the discussions at the prehearing conference, UE and the Staff agreed to negotiate a resolution of the disputed issues rather than to pursue litigation. The undersigned parties

("Parties") have reached the following stipulations and agreements:

1. The Staff agrees to revise from $2,520,000 to $100,000 its recommended decrease of gas costs to firm customers relating to UE's sales service contract demand levels and firm transportation capacity levels with PEPL described under Exception A of the Staff's Recommendation. UE agrees, subject to the conditions specified herein, to reflect the foregoing $100,000 adjustment to its firm sales customers in its 1994-1995 ACA filing docketed as Case No. GR-94-353. The Parties acknowledge that the PEPL sales service demand rates paid by UE during the ACA period, to which the Staff has expressed its concern and which are related to the Staff's recommended gas costs decrease, are currently being contested by UE (as a member of the Panhandle Customer Group) before the Federal Energy Regulatory Commission (FERC) in Docket No. RP92-166 (certain aspects of which are to be decided on the basis of the record in Docket No. RP91-229). In the event any reduction to said PEPL sales service demand (D1) rates results from said FERC proceedings (by decision or settlement) and refund(s) relating to such rate reduction are issued to UE, the Parties agree that UE shall be authorized to offset (partially or totally) the foregoing $100,000 adjustment by retaining four percent (4%) of such refund(s), with such retention not to exceed $100,000. The Parties further agree that UE shall be authorized to implement this refund retention through a filing pursuant to the modified

refund provision of UE's PGA Clause upon presentation of supporting documentation. The refund provision of UE's PGA Clause shall be modified as shown on Attachment A in order to implement the refund retention discussed herein. The calculation of the refund retention shall be subject to review in UE's applicable ACA filing.

2. The Parties agree that the ACA balances applicable to UE's firm and interruptible customer classes for the 1992-1993 ACA period, reflecting the gas cost adjustments described above, are as follows. (Positive amounts indicate an over-collection of gas costs by UE and negative (( )) amounts indicate a UE under-collection of gas costs.)

	Customer Classes	
UE Service Area	Firm	Interruptible
PEPL	$13,172,665	($243,929)
TETC	$ 2,130,660	($234,542)
Natural Gas Pipeline Co. of America	$ 146,470	

The Parties agree that the adjustments to customer billings required to reconcile the aforesaid over-collections and under-collections have been implemented in part through UE's 1992-1993 ACA and related PGA filings in Case No. GR-93-106, in part through its 1993-1994 ACA and related PGA filings in Case No. GR-94-123, and that the remaining adjustment, described in paragraph 1 above, will be implemented by UE in its 1994-1995 ACA and related PGA filings in Case No. GR-94-353.

3. UE agrees that it will meet with the Staff, at its request, prior to the commencement of the Staff's audit of each

future UE ACA filing, to discuss the activities of UE during the applicable ACA period.

4. UE agrees to hereafter prepare a written study or analysis of (i) each material natural gas-related contract decision; and (ii) each major FERC decision materially affecting UE in proceedings of pipelines providing service to UE and final FERC regulations which materially affect UE. Subject to applicable legal privileges, UE agrees to provide such document to the Staff upon its request during the applicable ACA audit.

5. UE agrees to hereafter continually monitor its participation before the FERC as a member of the Panhandle Customer Group and not join in Group activities in instances when, in UE's judgment, its interests are not adequately protected.

6. The Parties agree that this Stipulation and Agreement resolves all issues raised in this proceeding, including, but not limited to, issues related to UE's sales service contract demand levels and firm transportation capacity levels with PEPL during the ACA period. This Stipulation and Agreement does not preclude the Staff from hereafter making evaluations of and proposing adjustments to post-FERC Order 636 restructured services and related costs during the applicable ACA audit.

7. The Parties agree that the obligations undertaken by UE in paragraphs 3, 4, and 5 of this Stipulation and Agreement are solely the responsibility of UE and are not binding upon Missouri

Gas Energy, United Cities Gas Company, or any other gas corporation.

8. None of the signatories to this Stipulation and Agreement shall have been deemed to have approved or acquiesced in any ratemaking or procedural principle or any method of cost determination or cost allocation, or any service or payment standard and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

9. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt paragraphs 1 through 6 of this Stipulation and Agreement in total by December 9, 1994, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

10. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 RSMo. 1986 to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo. 1986; and their respective rights to judicial review pursuant to Section 386.510 RSMo. 1986.

11. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all Parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all Parties, and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to the Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order:

a) approving the specific terms and conditions of this Stipulation and Agreement;

b) authorizing UE to reflect the gas cost adjustment described in paragraph 1 of this Stipulation and Agreement in its 1994-1995 ACA filing docketed as Case No. GR-94-353;

c) authorizing UE to file a revised tariff sheet in the form identified as Attachment A to this Stipulation and Agreement, as a thirty (30) day filing, designed to permit UE to implement the refund retention described in paragraph 1 hereof;

d) granting UE authorization to implement the refund retention in accordance with paragraph 1 of this Stipulation and Agreement; and

e) approving the ACA balances applicable to UE's customers for the 1992-1993 ACA period and the procedure for implementing the reconciliation of the resulting over-collections and under-collections, as described in paragraph 2 of this Stipulation and Agreement.

Respectfully submitted,

STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION

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By RKE

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<u>CERTIFICATE OF SERVICE</u>

I hereby certify that copies of the Stipulation and Agreement have been mailed or hand-delivered to all counsel of record as shown on the following service list this 27th day of October, 1994.

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ATTACHMENT A

P.S.C. Mo. No. 2 — 3rd Revised SHEET No. 29

Cancelling P.S.C. Mo. No. 2 — 2nd Revised SHEET No. 29

UNION ELECTRIC COMPANY
GAS SERVICE

Applying to MISSOURI SERVICE AREA

RIDER A

PURCHASED GAS ADJUSTMENT CLAUSE

for twelve (12) consecutive months ending March of each year as provided for herein. The Company will file the ACA factors developed for the shortened period August 1992 - July 1993 on or before September 13, 1993 to be effective September 28, 1993. The filings for all other periods will be in April of each year in the same manner as all other PGA factors, as provided for herein.

Those transportation customers, as of January 1, 1993, wishing to transfer back to a sales rate classification will not be eligible for the ACA factors in effect for such class for twelve (12) months immediately following the transfer.

IV. REFUND ADJUSTMENTS (RA)

*Unless otherwise ordered by the Missouri Public Service Commission, any refunds which the Company receives in connection with natural gas services purchased by it together with any interest included in such refunds will be refunded to the Company's applicable customers. Such distribution will commence within ninety (90) days of receipt by Company of said refunds which by themselves, or in combination with prior undistributed refunds, exceed an amount which causes a RA factor in the affected area to round to at least 0.01¢/Ccf.

Said refunds received shall be distributed to Company's applicable customers as follows:

A. The refund amount will be allocated to each firm sales, interruptible sales and transportation rate classification based upon the same allocation of such costs as calculated during the base period in Section II. herein.

B. The amount of refund will be divided by the amount of Ccfs estimated to be sold and/or transported in the succeeding twelve (12) months to the applicable classes of customers. The resulting per Ccf adjustment, to the nearest 0.01¢, will be applied as a credit to bills to such customers over the succeeding twelve (12) months by multiplying such unit refund credit by the total Ccfs billed to each customer in each billing period.

C. The length of the refund period shall generally be twelve (12) months, except that each refund period may be lengthened or shortened by the Company to avoid a total refund materially above or below the refundable amount.

*Indicates Change

DATE OF ISSUE ____________ DATE EFFECTIVE ____________

ISSUED BY C. W. Mueller (Name of Officer) — President & CEO (Title) — St. Louis, Missouri (Address)