

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 31st
day of October, 1990.

In the matter of tariffs filed by Missouri Public Service to)
reflect rate changes to be reviewed in Company's 1990-1991) Case No. GR-19-160
Actual Cost Adjustment.)

In the matter of tariffs filed by Missouri Public Service to)
reflect rate changes to be reviewed in Company's 1989-1990) Case No. GR-90-85
Actual Cost Adjustment.)

In the matter of tariffs filed by Missouri Public Service to)
reflect rate changes to be reviewed in Company's 1988-1989) Case No. GR-90-78
Actual Cost Adjustment.)

ORDER APPROVING INTERIM NORTHERN SYSTEM RATES EFFECTIVE NOVEMBER 1, 1990,
AND CLOSING CASE

On October 3, 1989, Missouri Public Service (Company) of Kansas City, Missouri, submitted to this Commission for approval, tariffs which reflected revised Actual Cost Adjustment (ACA) factors for both of its Missouri Systems. Staff recommended that the tariffs be approved interim subject to refund pending a final decision by the Commission on the results of the Staff's ACA audit. Case No. GR-90-78 was established to address the 1988-1989 ACA filing.

On October 4, 1990, Company submitted to this Commission for approval, tariffs which reflected revised Actual Cost Adjustment (ACA) factors for both of its Missouri Systems. Staff recommended that the tariffs be approved interim subject to refund pending a final decision by the Commission on the results of the Staff's ACA audit. Case No. GR-90-85 was established to address the 1989-1990 ACA filing.

On October 19, 1990, Company submitted to this Commission for approval, a tariff which reflects a change in its Northern System rates for natural gas due to a change in wholesale rates charged Company by its Northern System supplier, Panhandle Eastern Pipe Line Company (PEPL) and the implementation of winter rates. PEPL's rates reflect a FERC-authorized increase in gas costs. The effect of the changes is an increase in annualized revenues of approximately \$262,000 in this System. Case No. GR-91-160 was established to track the PGA changes that will be reviewed in Company's 1990-1991 ACA filing.

The Staff of the Missouri Public Service Commission (Staff) recommends that the proposed tariff be approved interim subject to refund in order to allow adequate time to perform its audit on the October 4, 1990, ACA filing.

The Commission has reviewed Staff's recommendation and, for good cause shown pursuant to Section 393.140(11) RSMo 1986, the Commission is of the opinion that the proposed tariff sheet should be allowed to become effective on and after the requested effective date, November 1, 1990, interim subject to refund.

Staff indicates its audit of Company's 1988-1989 ACA filing is complete and a method of resolving the outstanding issues has been agreed to. Therefore, Staff recommends that Case No. GR-90-78 be closed.

The Commission is of the opinion that Case No. GR-90-78 should be closed.

The rates approved in this order contain direct-billed Take-or-Pay costs passed through pursuant to FERC-approved tariffs. The Court of Appeals, D.C. Circuit, has held that the direct billing of these Take-or-Pay costs is unlawful since it is based upon a purchase allocation mechanism and direct charge, which violates the filed rate doctrine. *Associated Gas Distributors v. FERC*, 893F.2d 349, 355 (D.C. Cir. 1989). The U.S. Supreme Court has denied certiorari and therefore will not review the Court of Appeals decision. Supreme Court Docket No. 89-2016, issued October 9, 1990. Since the Court of Appeals decided that the pass-through of these costs is unlawful, it is now incumbent on the FERC to develop a mechanism of refunding Take-or-Pay costs paid by local distribution companies and, thus, by ratepayers.

The Commission is now reviewing its decision concerning the pass-through of these Take-or-Pay costs to Missouri customers. Company shall file a pleading concerning this matter which shall include the Company's position on any action which should be taken by this Commission and which details the actions taken by Company at the FERC on this matter. Other proper persons shall also be allowed to file pleadings addressing this matter.

IT IS THEREFORE ORDERED:

1. That the following tariff sheet submitted October 19, 1990, by Missouri Public Service of Kansas City, Missouri, for the purpose of reflecting an increase in rates for natural gas service in the Company's Northern System as the result of an increase in wholesale gas costs, be and it is, hereby authorized to become effective on and after November 1, 1990, interim subject to refund.

P.S.C. Mo. No. 5

1st Revised Sheet No. 54 Cancelling Original Sheet No. 54

2. That Case No. GR-90-78 be closed effective November 15, 1990.

3. That Missouri Public Service shall file, on or before November 20, 1990, a pleading which addresses the Take-or-Pay pass-through as described in this order.

4. That proper persons wishing to also address the Take-or-Pay pass-through issue shall file any pleading on or before November 20, 1990.

5. That this order shall become effective on the date hereof.

BY THE COMMISSION

Dan Ross

Dan Ross
Interim Secretary

(S E A L)

Steinmeier, Chm., Mueller, Rauch,
McClure and Letsch-Roderique,
CC., Concur.

P.S.C. MO. No. 5 1st~~(Original)~~SHEET No. 54~~(Revised)~~Cancelling P.S.C. MO. No. 5~~(Original)~~SHEET No. 54~~(Revised)~~

MISSOURI PUBLIC SERVICE

For Northern System

(Name of Issuing Corporation)

(Community, Town, or City)

PURCHASED GAS ADJUSTMENT CLAUSE (CONT'D)

Adjustment Statement (Northern System)

As provided in this Purchased Gas Adjustment Clause, the following adjustment(s) will be made to the basic natural gas service schedules:

<u>Rate Schedule Number</u>	<u>Customer Class</u>	<u>Regular PGA</u>	<u>Actual Cost Adjustment</u>	<u>Refunds</u>	<u>Top Factor</u>	<u>Total PGA Per MCF</u>
804	All Customers	\$.1830	\$.0570	\$ -0-	\$.0802	\$.3202
812	Industrial	\$.2553	\$ -0-	\$ -0-	\$.0802	\$.3355

Included in the above firm regular PGA is a portion of the gas costs designated by Missouri Public Service's supplier(s) as being the current D-1 and D-2 charges divided by the firm sales given on Sheet 44 yielding a factor of \$1.7004 per MCF. This amount will be billed to each firm customer receiving transportation for each MCF of natural gas transported. For purposes of reference, this charge will be labeled backup charges. The total revenue recovered through the backup charges will be credited to the Deferred Account as a revenue recovery for the firm class.

The TOP Factor, as provided in Sheet 51, shall also apply to all MCF delivered to transportation customers on Missouri Public Service's Northern System.

DATE OF ISSUE October 19, 1990
(month day year)DATE EFFECTIVE November 1, 1990
(month day year)ISSUED BY Maurice L. Arnall Manager-Rates Kansas City, MO 64138
(name of officer) (title) (address)