

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 15th
day of October, 1997.

In the Matter of St. Joseph Light &)	
Power Company's Purchased Gas Adjustment)	<u>Case No. GR-96-47</u>
Factors to be Audited in its 1995-1996)	
Actual Cost Adjustment.)	

ORDER APPROVING STIPULATION AND AGREEMENT

The Commission established this case to audit the billed revenues and actual gas costs of St. Joseph Light & Power Company (SJLP or Company) for the period from May 1, 1995 to April 30, 1996, as part of the Actual Cost Adjustment (ACA) procedure contained in SJLP's tariffs.

On April 1, 1997, the Staff filed a memorandum in the official case file which indicated that Staff proposed a disallowance of \$27,957.65 from the ACA account balance on the grounds that SJLP did not adequately document its decision to enter into index based gas supply contracts. On May 1 SJLP filed its response and recommended that the Commission reject Staff's proposed adjustment. On June 3 the Commission issued an order establishing procedural schedule. The parties filed direct, rebuttal and surrebuttal testimony. Prior to the prehearing conference scheduled for September 12, the parties indicated that they had reached a resolution of the issues.

On September 29, the parties filed their Stipulation and Agreement (Agreement). The Agreement is attached to this order as Attachment A and incorporated herein by reference. The Agreement provides that Staff withdraw its proposed adjustment and that for the period ending

April 30, 1996, the Actual Cost Adjustment Account, Transition Cost Account and Refund Account ending balances are in the amounts of \$107,853.69, (\$46,418.02) and (\$2,368.13), respectively. The amounts in parentheses are negative amounts. The parties further agreed that SJLP will modify the form of its request for proposals (RFPs) for procuring natural gas for resale. The Agreement states that after the effective date of the Commission's order approving the Agreement, SJLP will ensure that its natural gas RFPs will request bids incorporating price "ceilings," price "floors," fixed prices and index pricing. The Agreement provides that SJLP will compare and analyze the bids received, and will provide documentation of its analysis of these bids to Staff as part of the annual ACA audit process. These changes to SJLP's future purchasing practices shall remain in effect until the earlier of either November 1, 2000, or the effective date of SJLP tariffs which no longer utilize a Purchased Gas Adjustment/Actual Cost Adjustment process including prudence reviews.

On September 30, Staff filed Suggestions in Support of the Stipulation and Agreement (Suggestions). Staff stated in its Suggestions that the Agreement resolves all of the issues between Staff and the Company on the proposed disallowance of costs and the gas purchasing practices of the Company. In return for Staff's agreement to withdraw its proposed adjustment, the Company agrees to modify its RFPs for purchasing natural gas to include a request for bids of price ceilings, price floors, fixed prices and index pricing. The Company also agrees to compare and analyze the bids received and to provide documentation of its analysis of these bids to Staff during the ACA audit process. Staff states in its Suggestions that the agreement on the part of the Company to consider pricing strategies to mitigate the volatility of natural gas prices as part

of its purchasing practices is significantly more important than the amount of the adjustment involved.

The Commission has reviewed the Stipulation and Agreement filed by the parties and the Suggestions filed by Staff. The Commission finds that the Stipulation and Agreement is a reasonable resolution of the issues and should be approved. The Commission further finds that the modification of purchasing practices as set forth in the Stipulation and Agreement will assist the parties in mitigating the volatility of natural gas prices for consumers.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by St. Joseph Light & Power Company on September 29, 1997, and attached to this order as Attachment A, is approved.

2. That for the period ending April 30, 1996, St. Joseph Light & Power Company's Actual Cost Adjustment ending balance is \$107,853.69, its Transition Cost ending balance is (\$46,418.02) and its Refund ending balance is (\$2,368.13).

3. That St. Joseph Light & Power Company shall ensure that its natural gas request for proposals will request bids incorporating price "ceilings," price "floors," fixed prices and index pricing. St. Joseph Light & Power Company shall compare and analyze the bids received, and shall provide documentation of its analysis of these bids to the Staff of the Commission as part of the annual ACA audit process. These changes to SJLP's purchasing practices shall remain in effect until the earlier of either November 1, 2000, or the effective date of St. Joseph Light & Power Company tariffs which no longer utilize a Purchased Gas Adjustment/Actual Cost Adjustment process including prudence reviews.

4. That this order shall become effective on October 28,
1997.

BY THE COMMISSION



Cecil L. Wright
Executive Secretary

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur.

George, Regulatory Law Judge

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

FILED
SEP 29 1997
MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of St. Joseph Light & Power)
Company's Purchased Gas Adjustment)
Factors to be audited in its 1995-1996)
Actual Cost Adjustment.)

Case No. GR-96-47

STIPULATION AND AGREEMENT

Comes now St. Joseph Light & Power Company ("SJLP" or "the Company"), the Staff of the Missouri Public Service Commission ("Staff") and the Office of the Public Counsel and for their stipulation and agreement resolving all issues in this proceeding, respectfully state as follows:

I. Procedural History

1. On June 13, 1996, SJLP filed with the Missouri Public Service Commission ("Commission") its annual Actual Cost Adjustment ("ACA"), Transition Cost ("TC") and Refund Account ("Refund") factors in compliance with its Purchased Gas Adjustment Clause with a proposed effective date of July 3, 1996. Contained in the ACA, TC and Refund filing were reconciled balances as of April 30, 1996, in the amounts of \$107,853.69, (\$46,418.02) and (\$2,368.13) respectively. Amounts in parentheses are negative amounts.

2. On June 28, 1996, the Commission issued an Order approving the tariff sheet submitted. The sheet became effective on and after July 3, 1996, interim subject to refund. Also in that Order, the Commission directed its Procurement Analysis Department of the Staff to conduct its audit of this ACA period and submit its results and recommendations regarding this

ACA filing on or before April 1, 1997.

3. Numerous data requests were submitted to SJLP by the Staff over a period of time between June 28, 1996 and April 1, 1997. SJLP filed a request for issuance of a protective order on January 24, 1997. It was issued on February 5, 1997.

4. On April 1, 1997, the Staff submitted its memorandum of findings for the ACA audit period in question. The Staff proposed a disallowance from the ACA account balance of \$27,957.65. The stated reason for the disallowance was that Staff did not believe SJLP adequately documented its decision to enter into index based gas supply contracts. The other balances were accepted as submitted. The Staff recommended an adjusted ACA balance of \$79,896.04 after the reduction of \$27,957.65.

5. On April 9, 1997, the Commission issued an Order directing SJLP to file a response to Staff's recommended adjustment to the ACA account balance on or before May 1, 1997. A response was filed by the Company on May 1, 1997, setting out its position and requesting that the Commission reject the proposed adjustment in the Staff recommendation.

6. An Order was issued on May 7, 1997, directing the parties to file recommendations for a procedural schedule by May 28, 1997. A procedural schedule was filed jointly by Staff and SJLP on May 21, 1997. The Commission issued an Order on June 3, 1997, adopting the procedural schedule. Based on the schedule, SJLP filed direct testimony on June 13, Staff filed rebuttal testimony on July 18 and SJLP filed surrebuttal testimony on September 12, 1997.

7. A prehearing conference was scheduled for September 12, 1997. Prior to the prehearing conference, the parties met and entered into an agreement in principle which resolved

all issues in this proceeding.

II. Agreement

A. Balance in the ACA Accounts

8. The parties agree that the ACA balance for the period ending April 30, 1996, has an ending balance of \$107,853.69. The ending balance of the Refund Account as of April 30, 1996 is (\$2,368.13). The ending balance of the TC account is (\$46,418.02). The Commission should issue an order establishing these ending balances and close this docket.

B. Future Purchasing Practices

9. The parties further agree that SJLP will modify the form of its request for proposals (RFP) for procuring natural gas for resale. After the effective date of the Commission's approval of this agreement, SJLP will ensure that its natural gas RFPs will request bids incorporating price "ceilings," price "floors," fixed prices, and index pricing. SJLP may include additional alternatives in its own discretion. SJLP will not indicate in the RFP a preference for any particular bid method among those listed.

10. SJLP will compare and analyze the bids received. SJLP will provide documentation of its analysis of these bids to Staff as a part of the annual ACA audit process.

11. The provisions of this paragraph B shall remain in effect until the earlier of either November 1, 2000, or the effective date of SJLP tariffs which no longer utilize a Purchased Gas Adjustment/Actual Cost Adjustment process including prudence reviews. SJLP may continue the agreed-upon format for RFPs after that time on a voluntary basis, but any obligation to do so as a result of this agreement shall cease.

C. Other Provisions

12. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, 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.

13. 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 this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

14. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 RSMo 1996 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 1996; and their respective rights to judicial review pursuant to Section 386.510 RSMo 1996.

15. 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 this 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, promptly provide other parties with advance notice of when the Staff shall respond to the Commission's request from Staff, and afford all such parties, to the maximum extent practicable, the right to be present at such oral explanation. 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, the undersigned parties respectfully request that the Commission issue its Order approving this Stipulation and Agreement and closing this docket.

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Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing was hand delivered to all counsel of record in this proceeding this 30th day of September, 1997.

29

Gary W. Duffy

Gary W. Duffy

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