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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 14th
day of January, 1999.

In the Matter of St. Joseph Light & Power)	
Company's Revised Electric Rate Schedules)	
Designed to Increase Rates for Electrical)	<u>Case No. ER-99-247</u>
Service in the Company's Missouri)	Tariff No. 9900427
Service Territory.)	

ORDER ESTABLISHING TEST YEAR, ESTABLISHING
DATE FOR FILING DIRECT TESTIMONY AND SCHEDULING
EARLY PREHEARING CONFERENCE

PROCEDURAL BACKGROUND:

On December 1, 1998, St. Joseph Light & Power Company (SJLP) submitted to the Commission tariffs reflecting increased rates for electric service provided to customers in the Missouri service area of SJLP. The proposed tariffs were assigned tariff number 9900427 and are designed to produce an annual increase of approximately 7.20 percent (\$6,098,094) in the Company's revenues. By order issued on December 22, the Commission suspended the proposed tariffs for a period of 120 days plus an additional six months beyond January 1, 1999, the requested effective date. AG Processing Inc. (AGP) was granted intervention in this matter by order issued on December 22.

On December 4, SJLP filed a motion for order establishing test year. SJLP proposed a test year of the twelve months ending December 31, 1998, adjusted for known and measurable changes through June 20, 1999.

SJLP's motion suggests that the proposed test year will reflect conditions that will exist when the new rates are in effect, without imposing a process that hinders the resolution of the case.

On December 14, Staff filed a response to SJLP's motion for order establishing test year. Staff indicated a test year of the twelve months ending December 31, 1997, adjusted for known and measurable changes through September 30, 1998, has been established in Case No. EC-98-573, Staff's complaint case against SJLP, in which it is alleged that SJLP is over-earning. Staff argued that the test year for the company's rate case should correspond to the test year previously established in the complaint case so that unnecessary delay and duplication of effort could be avoided. Staff requested that it be allowed ten days after SJLP's rate case testimony and schedules are filed before making a recommendation concerning an appropriate test year.

On December 17, SJLP filed a reply to Staff's response. SJLP argued that the company initiated rate case is a totally separate and independent matter based on a test year that differs from the complaint case with different facts and circumstances. SJLP argues that the test year used in the complaint case is not relevant to its need for rate increases in late 1999 and 2000. SJLP states that its circumstances are changing and that it will demonstrate a need for rate relief.

On December 24, Staff filed a response to SJLP's reply of December 17 that reiterated Staff's position with regard to the test year. On December 29, the Office of the Public Counsel (Public Counsel) filed its response to SJLP's motion to establish test year. Public

Counsel supports the position of Staff. Similarly, on January 6, AGP filed a pleading indicating its support for Staff's position regarding the test year. Staff and SJLP filed additional responses and replies on January 11.

Also on December 24, Staff filed a motion to establish January 22, 1999 as SJLP's direct testimony filing date and to request the scheduling of an early prehearing conference for the purpose of developing a proposal for a procedural schedule. On January 4, SJLP filed a reply to Staff's motion to establish a filing date for SJLP's direct testimony. SJLP indicated that it was prepared to file its direct testimony and schedules on January 22, if the Commission adopts the test year proposed by SJLP.

DISCUSSION:

SJLP has filed proposed tariffs that are designed to increase rates for its electrical, natural gas and industrial steam operations because of an alleged need for additional revenue in connection with these three segments of its business. The Commission has acted to suspend those proposed tariffs so that it will have sufficient time to study the effects of the proposed tariffs and determine if they are just, reasonable and in the public interest. SJLP has proposed that the Commission adopt a test year consisting of the twelve months ending December 31, 1998, updated for known and measurable changes through June 20, 1999. SJLP believes that this test year will most appropriately predict the level of income it should be allowed to earn in the future.

The test year question is complicated by the existence of a complaint filed by Staff that alleges that SJLP is currently over-earning and that its electric rates should accordingly be reduced. That complaint case has been assigned case number EC-98-573 and is scheduled to be heard by the Commission on May 17-21, 1999. The Commission has established a test year in that case of the twelve months ending December 31, 1997, updated for known and measurable changes through September 30, 1998. Staff, Public Counsel and AGP suggest that the Commission impose the test year adopted for the complaint case on the rate case brought by SJLP. The Commission will not do so.

The rate case brought by SJLP is a separate and independent matter based on a test year that differs from the complaint case with different facts and circumstances. SJLP represents that it will require additional revenue in the future and that its rate increase will be justified. It is entitled to establish a test year that will allow it to present its evidence to the Commission.

Staff, Public Counsel and AGP urge the Commission to delay the establishment of a test year until ten days after SJLP has filed its initial testimony. The Commission finds that it is unnecessary to delay the establishment of a test year.

SJLP has requested a test year consisting of the twelve months ending December 31, 1998, updated for known and measurable changes through June 30, 1999. Because this matter is set for hearing beginning on July 6, an update period running through June 30 will not be possible. Therefore, the test year will be updated only through March 31, 1999.

SJLP will be directed to file its direct testimony and schedules on January 22 and an early prehearing conference will be scheduled.

IT IS THEREFORE ORDERED:

1. That the test year for purposes of Case No. ER-99-247 is established as the twelve months ending on December 31, 1998, updated for known and measurable changes through March 31, 1999.

2. That St. Joseph Power & Light is directed to file its direct testimony and schedules on January 22, 1999.

3. That an early prehearing conference shall be held on February 4, 1999, beginning at 10:00 a.m. The prehearing conference shall be held in the Commission's hearing room on the fifth floor of the Harry S Truman State Office Building, 301 West High Street, Jefferson City, Missouri. Anyone wishing to attend who has special needs as addressed by the Americans with Disabilities Act should contact the Missouri Public Service Commission at least ten (10) days before the prehearing conference at: Consumer Services Hotline - 1-800-392-4211 or TDD Hotline - 1-800-829-7541.

4. That the parties shall file a proposed procedural schedule no later than February 11, 1999. The procedural schedule shall include dates for the filing of testimony.

5. That this order shall become effective on January 26, 1999.

BY THE COMMISSION

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Murray, Schemenauer
and Drainer, CC., concur
Crumpton, C., dissents

Woodruff, Regulatory Law Judge

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JAN 14 1999
COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION