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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Revised Natural Gas Rate)
Schedules Designed to Increase St. Joseph) **Case No. GR-99-246**
Light & Power Company's Annual Natural Gas) (Tariff file 9900426)
Revenues by Approximately \$499,104 Exclusive)
of Applicable Fees and Taxes.)

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 natural gas provided to customers in the Missouri service area of SJLP. The proposed tariffs were assigned tariff number 9900426 and designed to produce an annual increase of approximately 10.46 percent (\$499,104) in the Company's revenues. By order issued on December 24, 1998, 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.

On December 4, 1998, 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 30, 1999.¹

¹ Although there is one reference in the text to June 20, 1999, the prayer for relief refers to June 30, 1999 and the Commission assumes this is the date SJLP intended to request.

On December 14, Staff filed a response to SJLP's motion for an 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 overearning from its electric operations. Staff argued that the test year for the company's natural gas rate case should correspond to the test year previously established in the electric 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, 1998, SJLP filed a reply to Staff's response. SJLP argued that the company-initiated natural gas rate case is a totally separate and independent matter based on a test year that differs from the electric complaint case with different facts and circumstances. SJLP argues that the test year used in the electric complaint case is not relevant to its need for natural gas 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 31, 1998, 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. Staff filed a response to SJLP's reply on January 11, 1999.

On December 30, 1998, 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, 1999, 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, 1999, 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 30, 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 somewhat by the existence of a complaint filed by Staff that alleges that SJLP is currently overearning from its electric operations 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 and Public Counsel suggest that the Commission impose the test year adopted for the complaint case on the natural gas rate case brought by SJLP. The Commission will not do so.

The natural gas rate case brought by SJLP is a separate and independent matter based on a test year that differs from the electric 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 and Public Counsel 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, 1999, an update period running through June 30, 1999, 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 29, 1999, and an early prehearing conference will be scheduled.

IT IS THEREFORE ORDERED:

1. That the test year for purposes of Case No. GR-99-246 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 Company is directed to file its direct testimony and schedules on January 29, 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 February 2, 1999.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Vicky Ruth, Regulatory Law Judge,
by delegation of authority pursuant
to 4 CSR 240-2.120(1) (November 30,
1995) and Section 386.240, RSMo 1994.

Dated at Jefferson City, Missouri,
on this 22nd day of January, 1999.

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COMMISSIONER OF THE
PUBLIC CLERK COMMISSION