

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 September, 1992.

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-91-160
Actual Cost Adjustment.)

ORDER APPROVING STIPULATION AND AGREEMENT

On May 1, 1992,¹ Staff filed its recommendation in this docket for the ending actual cost adjustment (ACA) balances for 1990-1991. In its May 1 filing, Staff recommended that certain upward adjustments be made to Missouri Public Service's (Company's) ACA revenue reports, stating that Company should "immediately restate the recovery balances at August 31, 1991 to reflect . . . misstated revenues and prior period adjustments. The restated balances should be:

Southern System Firm Class	- \$1,892,352
Southern System Int. Class	- 366,295
Northern System Firm Class	- 62,233
Northern System Int. Class	- 7,904"

On May 19, following Staff's recommendation, the Commission ordered the Company to make a specific response by June 5. On June 5, Company filed its response, stating, on page 9, that the "appropriate" ACA balances should be:

Southern System Firm Class	- \$1,832,163
Southern System Int. Class	- 347,733
Northern System Firm Class	- 62,212
Northern System Int. Class	- 7,255

Company also requested that the Commission establish a prehearing conference and, on the same day, filed a motion in Company's preceding ACA docket, Case No. GR-90-85, to correct what Company perceived as a "clerical error" or mistake in the ending balance for its Southern System Industrial

¹Unless otherwise stated, all dates occur in 1992.

Interruptible class. Company contends that said balance should be \$296,231.00, not the \$307,788.00 now contained in GR-90-85. On June 18, Staff responded to Company's motion, but did not acknowledge that the ending balance complained of was occasioned by error or mistake. Essentially, Staff's response is that the \$307,788.00 figure cannot now be changed: Staff cites earlier Commission ACA cases providing for the finality of closed ACA cases and ACA factors which have been made permanent.²

On June 19, following Staff's request to establish a prehearing conference, the Commission established a formal procedural schedule with hearings to commence August 10. In the same order, the Commission stated it would consider Company's motion to correct GR-90-85 with the record in this ACA docket.

Staff and Company jointly moved to suspend the procedural schedule on June 15. On July 8, the Commission denied the joint motion, but, to give the parties additional time, established another procedural schedule with hearings to commence October 20.

On September 2, the Staff and Company submitted for Commission consideration and approval a document titled, "Stipulation and Agreement." The proffered Stipulation does not, however, stipulate to very much. Said Stipulation and Agreement is appended hereto and marked "Attachment A." It demonstrates the parties have failed to reach any agreement on these issues:

- (a) The question of the proper ending balance for the Southern System Industrial Interruptible class in Case No. GR-90-85.
- (b) The question of the take-or-pay cost adjustment (see *infra*).

In addition to these two unresolved issues, Company and Staff also seek what amounts to either the Commission's agreement or, possibly, its favorable comment regarding two other largely unrelated matters:

- (c) Staff's proposed "minimum filing requirements."

²In the matter of United Cities Gas Company, Case No. GR-90-233 (April 5, 1991), and In the matter of St. Joseph Light & Power Company, Case No. GR-90-84 (April 3, 1992).

(d) A change in Company's ACA filing dates.

The parties have, however, submitted for the Commission's consideration and approval the following stipulation in regard to Company's ending ACA balances:

(e) Ending ACA balances:

Southern System Firm Class	-	\$ 1,821,302
Southern System Int. Class	-	360,022 (if motion filed in (or) GR-90-85 is denied)
		348,464 (if motion is granted)
Northern System Firm Class	-	41,728
Northern System Int. Class	-	7,898

Having considered said Stipulation and Agreement, the record, and abundance of pleadings giving rise to same, the Commission has determined as follows:

(e) Ending ACA balances:

Subject to the discussion following, the ending ACA balances stipulated to in sub-section (e) above, are reasonable and proper and the Commission will herein approve same. Without considering the take-or-pay issue, discussed at (b), infra, the proper ACA balance for the Southern System Interruptible class is \$360,022.00, as Staff asserts. Company's motion to correct what it chooses to characterize as an error or clerical mistake in GR-90-85 is merely an attempt to circumvent the Commission's practice regarding the finality of ACA orders. ACA balances must, at some point, become fixed. Company's motion to correct the ending balance in Case No. GR-90-85 is denied.

(b) The question of the take-or-pay cost adjustment.

The dollar amount of this unresolved issue is \$32,621.51; this, apparently, is the only thing Staff and Company can agree to. The facts giving rise to the dispute are explained by the record and on pages 2, 3, and 4 of Attachment A, which the Commission hereby incorporates. In summary, the facts

are as follows: Company's tariff³ requires it to recover take-or-pay settlement costs assessed against Company by Company's suppliers of gas. The tariff also specifies the manner in which Company is to recoup, or recover, its take-or-pay costs from Company's own customers, including those on Company's Southern System.

At page 51, the tariff provides:

These costs shall be recovered from all classes of customers equally by application of a TOP Cost Recovery Factor (TOP Factor) to all metered MCF of natural gas sold and MCF transported under Missouri Public Service's rate schedules on file with the Missouri Public Service Commission. (emphasis supplied)

During the ACA audit period in question, Company chose not to recover take-or-pay expenses from certain of its Southern System customers. Company states it did so in order to meet gas price challenges from competing gas suppliers. In effect, Company charged these "special" customers less for their gas than it did its other customers, who paid their share of the take-or-pay costs assessed to Company. The shortfall in revenue thus created is \$32,621.52. The tariff quoted above states that Company shall recoup take-or-pay equally from its customers.⁴ Company's "special rate," through which it forgives the take-or-pay recoupment from certain customers, is provided for by another tariff, one which apparently authorizes Company to enter into special pricing contracts in order to meet customer-threatening competition. However, neither this tariff, nor Company's customer-preserving practices are at issue in this ACA case. What is at issue is Company's desire to pass along its self-induced \$32,621.52 shortfall in revenue to its other Southern System customers via the ACA process. Staff contends Company cannot recoup this sum via the ACA process. Company contends it can. Since Staff and Company cannot agree, they would have the Commission defer considering this issue until Company files its next general rate

³P.S.C. Mo. No. 5, cancelling P.S.C. Mo. No. 4 "Purchased Gas Adjustment Clause."

⁴Assessments to recoup TOP include both sales and transportation customers: ACA balances apply only to sales customers.

case, an event which Company advises will occur before year end, 1992. In the meantime, the parties acknowledge that this ACA docket must be kept open, ostensibly until the Commission issues its order in Company's yet-to-be filed general rate case. Assuming Company's nascent rate case is contested, the Commission would have to keep this docket open until October or November, 1993.

The Commission cannot accept this result. There is simply no reason to defer this question; nor should it somehow be co-mingled with the Company's next general rate case, a proceeding which will address a host of issues not remotely connected to the Company's actual cost of gas in this ACA audit period. An ACA proceeding is fundamentally different, and should be considerably less complicated, than a general rate case. Staff and Company seem to have overlooked this. Had the parties desired a hearing on this issue, they should have so stated. By stipulating to the facts giving rise to the question, they have at least provided some useful information to the Commission, if only by indirection.

The Commission finds Company's purchased gas adjustment tariff does not permit Company to recover the \$32,621.52 TOP revenue shortfall through the ACA process. The Commission will herein order that the final TOP balance for the 1990-1991 ACA period be reduced for the Southern System in an amount equal to the revenue shortfall, \$32,621.52. The resulting balance will be the beginning balance in the next ACA audit period.

(c) Staff's proposed "minimum filing requirements."

Having considered this portion of Attachment A, the Commission finds it to be acceptable as an expression of what appears to be an emerging Staff policy and hereby approves same.

(d) A change in Company's ACA filing dates.

Having considered this portion of Attachment A, whereby Company and Staff have agreed to change the annual ACA reporting period from October 15 to

November 15, the Commission finds that it is reasonable and will herein order the change requested.

IT IS THEREFORE ORDERED:

1. That the ending 1990-1991 ACA balances for Company's service areas below set out are as follows:

Southern System Firm Class	- \$ 1,821,302
Southern System Int. Class	- 360,022
Northern System Firm Class	- 41,728
Northern System Int. Class	- 7,898

2. That the balances set out in ordered Section 1 shall be the beginning balances for Company's next ACA period, which period shall commence and end in accordance with ordered Section 4, infra.

3. That Company's motion to correct order closing docket filed on June 5, 1992 in Case No. GR-90-85 is hereby overruled.

4. That Company shall file a tariff to change the filing dates for Company's annual ACA from October 15, to November 15. Company shall hereafter use the actual gas costs for all 12 months, including the 12th month, if said actual gas costs are known to Company.

5. That the take-or-pay balance shall be adjusted for Company's Southern System as provided for by Section (b) of this order.

6. That this order shall become effective on September 28, 1992.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Mueller, Rauch,
Perkins and Kincheloe, CC., Concur.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
SEP 2 1992
PUBLIC SERVICE COMMISSION

In the matter of tariffs filed)
by Missouri Public Service to)
reflect rate changes to be) Case No. GR-91-160
reviewed in Company's 1990-1991)
Actual Cost Adjustment.)

STIPULATION AND AGREEMENT

On May 1, 1992, the Staff of the Public Service Commission of the State of Missouri (Staff) filed its Staff recommendation in this proceeding after completing its audit of the actual cost adjustment (ACA) rates filed by Missouri Public Service (Company, MoPub), a Division of UtiliCorp United, Inc. In its recommendation, the Staff proposed several adjustments and recommendations concerning the ACA rates and tariffs of MoPub. Thereafter, on May 19, 1992, the Commission issued its Order Directing Response to Staff Recommendation and, pursuant to such Order, MoPub filed its Response to Staff Recommendation on June 5, 1992, in which it set forth numerous areas of disagreement with the adjustments and recommendations set forth in Staff's recommendation. Also on June 5, MoPub filed a motion in Case No. GR-90-85 to correct what MoPub believes to have been an error in the ending balance for its Southern System interruptible customers in Case No. GR-90-85.

On June 19, 1992, the Commission issued an Order Establishing Procedural Schedule in this case, which among other things stated that Company's motion which was filed in Case No. GR-90-85 will be considered with the record in this case. On

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June 25, 1992, the parties filed a Joint Motion to Suspend Procedural Schedule. The Commission then, on July 8, 1992, issued its Order Denying Motion to Suspend Procedural Schedule; however, such Order did amend the procedural schedule in order to facilitate a meeting or meetings between the parties which the parties had requested in their Joint Motion to Suspend Procedural Schedule in an attempt to resolve their differences. Pursuant to such amended procedural schedule, simultaneous direct testimony was scheduled for September 2, 1992.

On July 13, 1992, representatives of MoPub, Staff, and the Office of the Public Counsel met at the Commission's offices in an attempt to resolve the numerous differences between their positions in this case. As a result of said meeting, as well as further discussions which have taken place among the parties subsequent to said meeting, the undersigned parties have reached the following stipulations and agreements which are being submitted to the Commission for its approval:

1. Take-or-pay cost adjustment: In its recommendation filed on May 1, 1992, Staff stated that in 1990 and 1991 MoPub discontinued recovering take-or-pay expense from certain Southern System customers, and Staff therefore recommended that the recoverable amount of take-or-pay liability be reduced by the amount attributable to these customers so as to prevent this amount from being passed on to the rest of MoPub's Southern System customers. In its response filed June 5, 1992, MoPub stated that the shortfall in revenue collection is created due to the special

contract transportation rates which MoPub has with certain customers as authorized by tariff and that, in general, the tariff authorizes MoPub to enter into special contracts in situations where competition from alternative suppliers of natural gas could mean the loss to MoPub of a natural gas customer. MoPub further stated that the actual amount in controversy on this issue is \$32,621.52; Staff agrees with the calculation of this amount.

The parties have been unable to agree as to whether or not MoPub is authorized to discount its take-or-pay rate and/or whether it should be allowed to pass this amount on to its other Southern System customers. However, for purposes of this Stipulation, the parties have agreed that this issue will be deferred to and addressed in MoPub's next general rate increase proceeding for its Missouri gas operations, which MoPub has indicated it will file on or before December 31, 1992. However, the Staff reserves the right to argue, among other things, that whatever the outcome concerning the \$32,621.52, it will not become part of any permanent non-gas revenue requirement increase but will remain as a part of MoPub's ACA case take-or-pay rate.

Furthermore, since this issue will be addressed in MoPub's next general rate increase proceeding for its Missouri gas operations, it will be necessary for this docket to remain open pending resolution of this issue in the general rate increase proceeding. Lastly, to ensure that this issue will be addressed in the not too distant future, MoPub agrees to file its next general rate increase proceeding for its Missouri gas operations on or

before December 31, 1992. In the event that no such general rate increase proceeding is filed on or before December 31, 1992, MoPub will reduce its recoverable amount of take-or-pay liability by \$32,621.52.

2. Motion to Correct Order Closing Docket in Case No. GR-90-85: In its Motion to Correct Order Closing Docket in Case No. GR-90-85 (which the Commission stated it would consider with the record in this case in its June 19, 1992, Order Establishing Procedural Schedule), MoPub stated that the Commission's Order Closing Docket in Case No. GR-90-85 provided that the ending balance for the Southern System industrial interruptible class was \$307,788 when in fact the ending balance should have been \$296,231, which in turn caused the beginning balance used by Staff in this case (GR-91-160) to be incorrect. MoPub therefore requested the Commission issue an order changing the Southern System industrial interruptible ending balance in Case No. GR-90-85 from \$307,788 to \$296,231.

Staff filed a Response to Motion to Correct Order Closing Docket on June 18, 1992, in which Staff stated that it believes that MoPub is precluded from having the above figure changed at this late date and that this issue is moot, based on the Commission's Report and Orders in In the Matter of United Cities Gas Company, Case No. GR-90-233 (April 5, 1991) and In the Matter of St. Joseph Light & Power Company, Case No. GR-90-84 (April 3, 1992), which cases recognized the finality of closed ACA cases and ACA factors which have been made permanent. The parties have been

unable to fully resolve this issue, but have agreed to waive the filing of testimony, the presentation of witnesses and the cross-examination of witnesses, and instead to submit the question on the basis of the pleadings already filed pertaining to that issue, i.e., MoPub's Motion to Correct Order Closing Docket and Staff's Response to Motion to Correct Order Closing Docket.

3. Remaining Recovery Balance Issues: The parties have been able to resolve all remaining issues regarding adjustments to the Company's recovery balances for misstated revenues and for prior period adjustments set forth in Staff's recommendation and MoPub's response thereto (with the exception of MoPub's Motion to Correct Order Closing Docket set forth in Section 2 above which issue is worth approximately \$11,558). The parties agree that the restated recovery balances should be as follows:

Northern System Firm Class	\$41,728
Northern System Interruptible Class	\$7,898
Southern System Firm Class	\$1,821,302
Southern System Interruptible Class	
If MoPub's Motion to Correct Order Closing Docket is denied pursuant to Section 2 above	\$360,022
If MoPub's Motion to Correct Order Closing Docket is granted pursuant to Section 2 above	\$348,464

When MoPub makes its next annual ACA filing (as set forth in Section 4 below) it should reflect the restated recovery balances set forth above for the Northern System firm class, Northern System interruptible class, and Southern System firm

class. For the Southern System interruptible class it shall use the restated recovery balance of \$360,022; if MoPub is successful with its Motion to Correct Order Closing Docket it may remove the \$11,558 at such later date as the Commission's order granting MoPub's Motion to Correct Order Closing Docket becomes final.

4. Change in ACA Filing Date: In its recommendation, Staff noted that MoPub includes estimated gas cost amounts for the last month of its ACA period in order to make a timely filing of its ACA revenues and costs in October of each year, and accordingly Staff recommended that the filing date for MoPub's annual ACA be moved from October 15 to November 15 and that MoPub use actual gas costs rather than estimated costs. MoPub has agreed to move its ACA filing date to November 15 of each year and to use actual gas costs (as known at the time of filing) for the last month of its ACA period rather than its own estimated costs. Therefore, the parties request an order from the Commission authorizing MoPub to file a tariff in accordance with the provisions of this paragraph to change the filing date.

5. Proposed Minimum Filing Requirements: In its recommendation, Staff proposed that MoPub be required to complete certain schedules to include in future ACA filings, which Staff referred to as minimum filing requirements (MFRs). Staff has agreed that, in this particular ACA case, it will withdraw its request that MoPub be required to submit the proposed MFRs based on MoPub's assurances that it will work with Staff in future ACA cases to avoid difficulties which were encountered by Staff in this ACA

audit. However, Staff reserves the right to propose identical or similar MFRs in future ACA cases in the event that the current process proves unsatisfactory in resolving the difficulties which were encountered during this ACA audit.

6. Office of the Public Counsel: The Office of the Public Counsel has been contacted concerning this Stipulation and Agreement and has indicated no objection to the terms hereof.

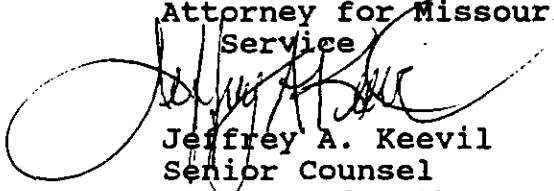
WHEREFORE, the parties request the Commission issue an order which: (1) defers the take-or-pay cost adjustment issue as described in Section 1 to MoPub's next general rate increase proceeding for its Missouri gas operations, on the condition that MoPub file such a general rate increase proceeding on or before December 31, 1992; (2) resolves the question of whether the error alleged by MoPub in its Motion to Correct Order Closing Docket should be corrected, based upon the pleadings already filed by the parties (i.e., MoPub's Motion to Correct Order Closing Docket and Staff's Response to Motion to Correct Order Closing Docket), in order to resolve the question of the Southern System Interruptible Class recovery balance; (3) establishes the recovery balances as those amounts shown for the respective systems and classes on page 5 of this Stipulation and Agreement (subject to a ruling on MoPub's Motion to Correct Order Closing Docket for the Southern System Interruptible Class); (4) authorizes the filing by MoPub of a tariff to change its ACA filing date as specified in Section 4 of this Stipulation and Agreement; (5) leaves this docket open pending resolution of the take-or-pay issue in MoPub's next general rate

increase proceeding for its Missouri gas operations; and
(6) otherwise approves this Stipulation and Agreement.

Respectfully submitted,

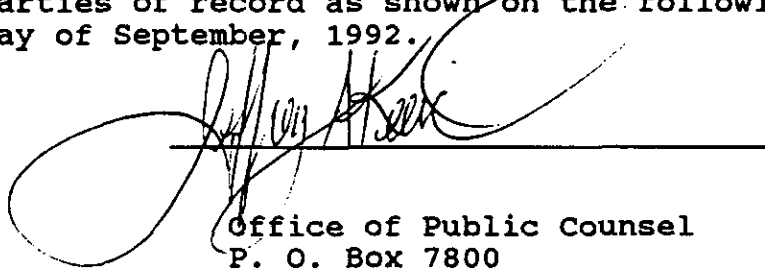
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all parties of record as shown on the following service list this 2nd day of September, 1992.


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