

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 5th
day of April, 1996.

In the matter of United Cities Gas Company's)
tariff sheets reflecting PGA changes to be)
reviewed in the company's 1993-1994 actual) CASE NO. GR-94-63
cost adjustment for its three Missouri)
districts.)

ORDER APPROVING STIPULATION AND AGREEMENT

On September 29, 1995, the Staff of the Commission (Staff) filed a memorandum concerning United Cities Gas Company's (United Cities) 1993-1994 actual cost adjustment (ACA) filing. Staff conducted an audit of United Cities' billed revenues and actual gas costs for the period of June 1, 1993 to May 31, 1994. On October 25, 1995, United Cities filed a response to Staff's memorandum stating that the only issue in contention is Staff's treatment of United Cities' contract with Pet, Inc. (Pet).

In its memorandum, Staff indicates that United Cities' new tariff approved in its last rate case, Case No. GR-95-160, no longer requires United Cities to charge transportation customers for pipeline costs. Staff alleges that, for the 28 months prior to the new tariff taking effect (June, 1993 to September, 1995), United Cities transported gas to Pet without charging for pipeline demand costs as required by United Cities' tariff thereby under-collecting \$177,650.

United Cities disputes Staff's allegations. United Cities argues that Pet obtained its own interstate pipeline capacity by obtaining capacity released by United Cities and Staff's position would cause Pet to pay its pipeline demand costs twice.

On March 26, 1996, United Cities, Staff, and the Office of the Public Counsel (Public Counsel) filed a Stipulation and Agreement (Attachment A to this Order and incorporated herein by reference) which proposes to settle all issues in this case. The Stipulation and Agreement (Stipulation) provides that the following adjustments will be made to the 1993-1994 ending balances in this case:

- (1) adding \$84,970 to United Cities' demand charge over-recovery, resulting in a total over-recovery of \$147,205.45;
- (2) adding \$3,855 to United Cities' commodity charge under-recovery, resulting in a total under-recovery of \$97,414.50; and
- (3) adding nothing to United Cities' Take or Pay under-recovery, leaving the balance of \$350,533.69 unchanged.

The parties indicate that the Stipulation is intended to settle the present dispute and any future disputes in Case Nos. GR-94-63, GR-95-197, and GR-96-197 regarding demand charges allegedly payable by or due from Pet. The Stipulation constitutes a final resolution of that issue for the entire 28-month period in question and precludes any future disallowance on that issue in Case Nos. GR-95-197 and GR-96-197, but does not purport to affect any other issues which may arise in those cases.

The Commission has reviewed the Stipulation agreed to by the parties and finds that its provisions are reasonable. The Stipulation will allow the parties to avoid litigation over the same issue in three separate ACA dockets, one for each ACA period overlapping the 28-month period in question. The Stipulation's provisions will also assure that United Cities recovers only its prudently-incurred gas costs. Thus, the Commission finds that the Stipulation in this case is just and reasonable.

The Commission may approve a stipulation of the issues in a case if it finds that the stipulation is just and reasonable. The Commission has so found and thus determines that the Stipulation in this case should be approved.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed in this case (Attachment A) is hereby approved and adopted.

2. That United Cities Gas Company shall amend its actual cost adjustment filing and accompanying rate sheets to reflect the adjustments to United Cities Gas Company's actual cost adjustment balances as agreed to by United Cities Gas Company and the Commission's Staff, and in accordance with the Stipulation and Agreement approved in Ordered Paragraph 1 and this Order.

3. That this Order shall become effective on April 16, 1996.

BY THE COMMISSION

A handwritten signature in cursive script that reads "David L. Ranch".

David L. Ranch
Executive Secretary

(S E A L)

McClure, Kincheloe, Crumpton,
and Drainer, CC., Concur.
Zobrist, Chm., Absent.

FILED**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI****MAR 26 1996****MISSOURI
PUBLIC SERVICE COMMISSION**

In the matter of United Cities Gas)
Company's tariff sheets reflecting PGA)
changes to be reviewed in the Company's)
1993-94 Actual Cost Adjustment for its)
three Missouri Districts.)

Case No. GR-94-63

STIPULATION AND AGREEMENT

The parties--United Cities Gas Company (hereinafter "United Cities"), the Staff ("the Staff") of the Missouri Public Service Commission ("the Commission") and the Office of the Public Counsel ("OPC")--stipulate and agree as follows:

1. Local distribution companies ("LDCs") such as United Cities have a purchased gas adjustment ("PGA") clause in their tariffs designed to recover the cost of gas. The PGA is designed to permit the LDC to recover from customers the LDC's estimated cost of purchasing gas for a specific period. These costs include the cost of buying gas at the wells, storing the gas, reserving capacity on a pipeline to transport the gas ("demand costs"), etc.

2. Each PGA clause contains an actual cost adjustment ("ACA") provision designed to reconcile the revenues recovered for gas costs during a certain period with the gas costs incurred during the same period. The ACA provisions require that any over- (or under-) recovery resulting from this reconciliation be paid back to (or collected from) customers over a subsequent period. In

this manner the Commission assures that the LDC recovers only its prudently-incurred gas costs.

3. On November 30, 1994, United Cities made its 1993-1994 ACA filing. The Staff filed its recommendation on September 29, 1995. United Cities filed its response on October 29, 1995, stating that the only issue in contention pertains to the Staff's treatment of United Cities' contract with Pet, Inc. ("Pet").

4. The tariff approved in United Cities' rate case, GR-95-160, no longer requires United Cities to charge transportation customers for pipeline demand costs. The Staff alleges that, for the 28 months prior to the new tariff taking effect (June, 1993 to September, 1995), United Cities transported gas to Pet without charging for pipeline demand costs as required by the Company's tariff, thereby undercollecting \$177,650.

5. United Cities disputed the Staff's allegations. United Cities argues that Pet obtained its own interstate pipeline capacity by obtaining capacity released by United Cities; therefore, the Staff's position would cause Pet to pay its pipeline demand costs twice. According to United Cities, the reasonableness of its past practice is reflected in the fact that the Commission approved this practice in United Cities' current tariffs, adopted

in Case No. GR-95-160.

By agreeing to this compromise resolution of this issue in this and the specified future proceedings, United Cities is not admitting that its actions or inactions were imprudent or inappropriate and it expressly denies such.

6. Resolving this matter by litigation would require the parties to litigate it in three ACA dockets, one for each ACA period overlapping the 28-month period--namely, Case Nos. GR-94-63, GR-95-197, and GR-96-197.

7. In lieu of litigation in multiple dockets, the parties agree to compromise and settle the present dispute and any future disputes in Case Nos. GR-94-63, GR-95-197 and GR-96-197 regarding demand charges allegedly payable by or due from Pet by making the adjustments set out below. If approved, this settlement will constitute a final resolution of that issue for the entire 28-month period in question and preclude any future disallowance on that issue in Case Nos. GR-95-197 and GR-96-197. This settlement does not purport to affect any other issues which may arise in Case Nos. GR-95-197 and GR-96-197. This settlement will be accomplished by making the following adjustments to the 1993-94 ending balances in Case No. GR-94-63:

a. adding \$84,970 to United Cities' demand charge over-

recovery, resulting in a total over-recovery of \$147,205.45;

b. adding \$3,855 to United Cities' commodity charge under-recovery, resulting in a total under-recovery of \$97,414.50; and

c. adding nothing to United Cities' Take or Pay under-recovery, leaving the balance of \$350,533.69 unchanged.

8. Assuming the Commission will issue an order approving this Stipulation and Agreement on or before April 15, 1996 without change, within 10 days thereafter United Cities agrees to file revised tariff sheets, with a proposed effective date of June 1, 1996, amending its ACA factors to incorporate the changes specified in Paragraphs 7 a., b., and c. above. This filing may coincide with a regular PGA filing by United Cities. Approval by the Commission of such changes to the ACA factors will result in the changes called for in this Stipulation and Agreement being flowed through to ratepayers prior to January 1, 1997.

9. If the Commission accepts the terms of this Stipulation and Agreement, the signatories waive their rights--

a. to call, examine or cross-examine witnesses, pursuant to § 536.070(2) RSMo 1994;

b. to present oral argument and written briefs, pursuant to

§ 536.080.1 RSMo 1994;

- c. to have the Commission read any transcript resulting from this proceeding, pursuant to § 536.080.2 RSMo 1994; and
- d. to judicial review, pursuant to § 386.510 RSMo 1994.

10. Except as specified herein, no party shall be bound by any of the agreements or provisions hereof in any future proceeding, or in any proceeding currently pending under a separate docket.

11. The provisions of this Stipulation and Agreement have resulted from negotiations among the signatories and are interdependent. If the Commission does not approve this Stipulation and Agreement in total, it shall be void and no party shall be bound by any of the agreements or provisions hereof.

12. At the Commission's request, the Staff may give the Commission a written explanation of its rationale for entering into this Stipulation and Agreement, if the Staff also gives a copy of its explanation to each signatory to this Stipulation and Agreement. In that event, each signatory may give the Commission a responsive written explanation within five (5) business days of receipt of the Staff's explanation, if the responding signatory contemporaneously gives a copy of such responsive written explanation to all other signatories. Each signatory agrees to keep

the Staff's and other signatory's explanations confidential, and to treat them as privileged to the same extent as settlement negotiations under the Commission's rules. No signatory acquiesces in or adopts the explanations of another signatory. Such explanations shall not become a part of this proceedings' record, nor bind or prejudice any signatory in any proceeding.

13. The Staff may provide whatever oral explanation the Commission requests at any agenda meeting, if the Commission has given notice that it may consider this Stipulation and Agreement at the meeting. The Staff shall inform the other signatories as soon as practicable when the Staff learns that the Commission will request such explanation. The Staff's explanation in agenda shall be subject to public disclosure, except to the extent it pertains to matters protected from disclosure.

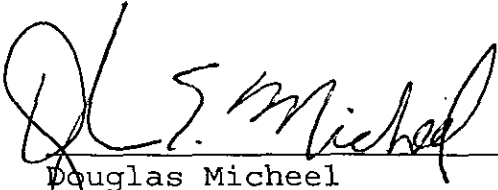
THEREFORE the parties ask the Commission to approve the terms of this Stipulation and Agreement, and to direct United Cities to amend its Actual Cost Adjustment filing and accompanying rate sheets to reflect a \$88,825 adjustment to United Cities' Actual Cost Adjustment balances in accordance with this Stipulation and Agreement.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

THE STAFF OF THE

MISSOURI PUBLIC SERVICE COMMISSION



Douglas Micheel

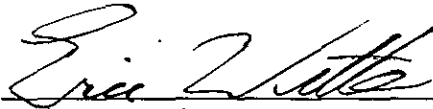
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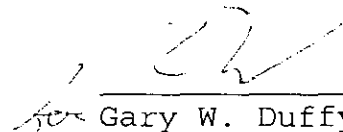
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Service List For Case No. GR-94-63
December 15, 1995

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