BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of tariffs filed by Western Resources, Inc., d/b/a Gas Service, a Western Resources Company, to reflect rate changes to be reviewed in the company's 1992-1993 Actual Cost Adjustment.	)))))	Case No. GR-93-140

REPORT AND ORDER

Issue Date: July 14, 1995

Effective Date: July 25, 1995

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APPEARANCES

J. Michael Peters, Associate General Counsel-Regulation, Western Resources, Inc., 818 Kansas Avenue, Topeka, Kansas 66601,

and

James M. Fischer, James M. Fischer P.C., 101 West McCarty Street, Suite 215, Jefferson City, Missouri 65101, for Western Resources, Inc., d/b/a Gas Service, a Western Resources Company.

James P. Zakoura and **David J. Roberts**, Smithyman & Zakoura, Chartered, 650 Commerce Plaza, 7300 West 110th Street, Overland Park, Kansas 66210,

and

Robert J. Wise, Wise and Ford, 1005 Grand Avenue, Suite 700, Kansas City, Missouri 64106, for Mid-Kansas Partnership and Riverside Pipeline Company, L.P.

Stuart W. Conrad, Finnegan, Conrad & Peterson, 1209 Penntower Center, 3100 Broadway, Kansas City, Missouri 64111, for Midwest Gas Users Association.

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and

Dennis K. Morgan, Attorney at Law, 504 Lavaca, Austin, Texas 78701, for Missouri Gas Energy, a division of Southern Union Company.

Lewis R. Mills, Jr., Deputy Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the public.

Jeffrey A. Keevil, Deputy General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri, for the staff of the Missouri Public Service Commission.

ADMINISTRATIVE LAW JUDGE: **Thomas H. Luckenbill, Deputy.**

REPORT AND ORDER

On August 20, 1993, Western Resources, Inc. (WRI or Company) filed its 1992-1993 Actual Cost Adjustment (ACA) filing in this docket. WRI was a natural gas local distribution company in Missouri during the period covered by this ACA filing. The period of gas purchases reviewed in this ACA proceeding is the period from July 1, 1992, to June 30, 1993. The Purchased Gas Adjustment (PGA) provisions in a utility's tariff provide a mechanism by which the utility can pass through estimated gas cost changes to customers. The ACA filing is made to ensure that gas costs passed on to customers reflect the utility's actual expenditures for gas rather than the PGA estimated costs. In addition, the ACA filing provides interested parties an opportunity to review the prudence of decisions underlying gas costs passed on to ratepayers by gas utilities through use of the PGA provisions. If there is a dispute regarding the pass through of certain gas costs by operation of the PGA tariff sheets, then the parties interested in the dispute bring it before the Commission in the context of the ACA filing.

On November 29, 1993, Midwest Gas Users Association (MGUA) filed an application to intervene. MGUA was granted intervention by an order dated December 14, 1993.

On January 14, 1994, WRI filed a motion requesting that the Commission order that the prudence of WRI's decision to enter into the Wyoming Tight Sands (WTS) contracts or to agreement to the specific terms of those contracts not be heard as issues in this case. On March 8, 1994, the Commission issued an order granting WRI's motion to limit issues. Also, on March 8, 1994, the Commission granted intervention to Riverside Pipeline Company, L.P. (Riverside), Mid-Kansas Partnership (Mid-Kansas), and Missouri Gas Energy, a Southern Union Company (MGE).

On April 29, 1994, the Procurement Analysis Department of the Staff of the Missouri Public Service Commission filed a memorandum concerning the instant ACA filing. WRI, MGE, Riverside and Mid-Kansas filed responses to Staff's memorandum.

The Commission established a procedural schedule for this case by its order dated June 22, 1994. On September 1, 1994, WRI filed the testimony of Messrs. Brown and Tangeman. On November 17, 1994, Staff filed rebuttal testimony of Messrs. Shaw and Wallis; MGUA filed the testimony of Mr. Kies; and Riverside/Mid-Kansas filed the testimony of Messrs. Putnam, Dunn and Stalon.

On November 29, 1994, the Commission convened a prehearing conference in which all parties participated.

On December 16, 1994, a Hearing Memorandum was filed which identified five contested issues to be decided by the Commission. The five contested issues identified in the Hearing Memorandum are: (1) Wyoming Tight Sands allocation adjustment; (2) deferred Wyoming Tight Sands commodity discount; (3) procedures manual to document and explain WRI's process for completing Attachment 7 of the minimum filing requirements; (4) removal of the price cap from the Mid-Kansas contract; and (5) allocation of take-or-pay charges to transportation customers.

On February 2, 1995, the evidentiary hearing commenced. The evidentiary hearing adjourned on the evening of February 3, 1995. The parties filed briefs and the matter is now before the Commission for decision.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

1. Wyoming Tight Sands Allocation Adjustment

The issue presented is whether WRI has properly allocated Wyoming Tight Sands (WTS) contract gas costs to Missouri during the ACA period involved in this case.

The ACA filing made by Western Resources, Inc. (WRI) allocates 57.98 percent of the WTS contract gas costs to Missouri during the applicable period. This percentage was developed by taking Missouri gas consumption and dividing that amount by total interstate system gas during the period.

WRI states that it allocated all gas purchased for its interstate system during the ACA period according to the jurisdictional receipts during that same period. WRI states that all of its interstate system purchased gas costs have historically been allocated in this manner.

The Staff contends that an adjustment in the amount of $745,986.73 should be made to decrease Missouri's allocated share of WRI's natural gas cost to reflect a WTS allocation factor of 50.29 percent. The basis of Staff's proposed 50.29 percent allocation factor is a study done by George Donkin, an expert hired by several plaintiffs in the Wyoming Tight Sands litigation. Mr. Donkin's study was based upon actual takes of gas by WRI from Williams Natural Gas Company (WNG) for the period November 1980 through December 1988. Staff argues that the WTS gas supply contracts were the direct result of the WTS settlement in which Missouri customers were determined to have a 50.29 percent share of the associated benefits and, therefore, Missouri customers should not be responsible for more than 50.29 percent of the WTS costs. Specifically, Staff states that WRI's Wichita customers have received the benefits of the WTS settlement without incurring their share of the reservation charges. The Staff's testimony implies that WRI should manage its interstate and intrastate systems in a manner such that Missouri never bears more than 50.29 percent of the WTS gas costs.

The Commission finds that Staff's argument does not prevail because Staff's argument rests upon at least two incorrect assumptions. These assumptions are: (1) that the 50.29 percent factor developed by Mr. Donkin in the antitrust litigation is not only an estimate of gas usage during the period that the alleged illegal activity occurred but that the factor is a ceiling on WTS gas costs allocable to Missouri; and (2) that there is no legitimate basis to distinguish between the interstate and intrastate systems of WRI.

The Commission finds that there is no direct evidence to support the conclusion that Mr. Donkin's estimate was to be used as a ceiling for purposes of allocating WTS gas costs. Mr. Donkin's estimate was based on takes of WRI from WNG during the period of alleged overpricing by the defendants in the antitrust litigation (i.e., November, 1980 to December, 1988). The Commission finds that the purpose of Mr. Donkin's study was to assure that damages recovered as a result of the antitrust suit were apportioned and returned to customers of WRI in a manner consistent with the incurrence of the damages.

An important question is whether it is appropriate for WRI to treat its interstate system as distinct from its Kansas intrastate system. The intrastate system runs from the Kansas Hugoton natural gas field to central Kansas. Although the Kansas intrastate system was hooked into the WNG system, takes from the WNG system were minimal. In fact, the takes of the Kansas intrastate system from WNG were so small that Mr. Donkin did not use them in connection with his study in the antitrust litigation.

The evidence in this proceeding indicates that the Kansas intrastate system pipeline and the customers on it received no damages from the WTS settlement. All of the WTS gas goes into WRI's interstate system. The Commission concludes that it is appropriate for WRI to view its intrastate and interstate systems as distinct from one another. Therefore, the Commission finds that the allocation of WTS reservation charges to Missouri in a manner consistent with

Missouri consumption as a percentage of total sales of interstate gas during the ACA period is not a practice which justifies an adjustment.

2. Deferred Wyoming Tight Sands Commodity Discount

The Staff's position is that WRI should be ordered to reduce natural gas costs by $1,332,855 to reflect the present value effect of deferral of WTS commodity discounts from the first two years of the contract to years 11 through 20 of the contract.

By making numerous assumptions, including but not limited to the future price of natural gas and appropriate discount rate, Staff states that it performed a present value analysis that showed the present value effect of the Farmland agreement to be a negative $1,332,855. The specific calculation of this number does not appear in the instant record. Although it appears that Staff assumed no change in natural gas prices because the Company would not provide a specific estimated gas cost change projection in response to a data request, a thorough discussion of the assumptions underlying the calculation of the proposed adjustment is lacking.

WRI's position is that the actual cost of WTS gas received by WRI during the ACA period under review should be reflected in rates with no adjustment based on the exchange agreement between WRI and Farmland Industries. WRI further states that the exchange agreement was prudent and no alternative would have assured more benefits to customers.

WRI suggests that by entering into the Farmland agreement it avoided take-or-pay liabilities from other suppliers that it would otherwise have had to pay if it had taken the full amount of WTS gas allowed by the settlement. Specifically, WRI states that it avoided approximately $4,575,000 in take-or-pay costs, $2,477,000 of which is attributable to the state of Missouri. This assertion by WRI is not strongly controverted by the evidence presented herein.

The savings to Missouri of approximately $2,477,000 exceeds the $1,332,855 proposed adjustment. Thus, it is not necessary for the Commission to reach the questions of what assumptions were made to develop Staff's proposed adjustment, whether those assumptions are reasonable, and whether there is a logical match between the ACA period and the proposed adjustment.

The Commission finds that the record presented in this case does not justify Staff's proposed adjustment for the deferral of Wyoming Tight Sands commodity discounts.

3. Procedures Manual

Staff maintains that WRI should be ordered by the Commission to develop and file a procedures manual which documents and explains WRI's process for completing Attachment 7 of the ACA minimum filing requirements.

WRI maintains that the issue of whether to file the procedures manual has become moot because Gas Service is no longer responsible for an ACA filing in this state.

Staff concedes that WRI is partially correct in that Missouri Gas Energy (MGE) is responsible for filing the ACA data for the period July 1, 1993, through June 30, 1994, which has been docketed by this Commission as Case No. GR-94-228. Staff points out, however, that WRI was the Missouri regulated local distribution company (LDC) from the period July 1, 1993 through January 31, 1994, and should possess the documentation and expertise necessary for supporting all procurement decisions prior to sale of the Missouri properties. Staff states that MGE has included Attachment 7 of the ACA minimum filing requirements in GR-94-228, and MGE's Attachment 7 includes data similar to that provided by WRI in the instant case. Staff does not agree that this issue has become moot because Staff will have to analyze and evaluate Attachment 7 of MGE's ACA minimum filing requirements, which includes varying allocations to Missouri. Staff

indicates that it has had difficulty in obtaining complete and sufficient documentation from WRI regarding the Company's nominations process and an explanation of all factors which ultimately affect jurisdictional gas costs and that Staff believes a procedures manual is necessary to evaluate the information provided by WRI and included as Attachment 7 in Case No. GR-94-228.

The Commission has determined that it will not require WRI to file a procedures manual in this docket. After reviewing Staff's testimony, it appears to the Commission that the Staff's primary concern is the justification of material filed in GR-94-228. The Commission notes that WRI is not a party to GR-94-228 at this time. However, WRI states in the Hearing Memorandum that it "proposes to address Staff's information needs through oral and written data requests and by providing Staff a narrative of actual practices and procedures followed rather than retroactively creating a manual." WRI's testimony and Hearing Memorandum statements are vague in that a reader cannot tell whether they are referring to GR-93-140 or GR-94-228. This is a distinction of some importance because GR-93-140 and GR-94-228 deal with distinct time periods. It would seem logical that WRI's statement in the Hearing Memorandum refers to GR-94-228 because after the issuance of this Report And Order, no further ACA factor adjustments can be made to address potential detrimental rate impacts suffered by Missouri ratepayers as a result of imprudent gas purchasing decisions made by WRI during the period July 1, 1992, to June 30, 1993.

The parties have agreed that Missouri Gas Energy has completed the minimum filing requirements in GR-94-228. Discovery of materials or information underlying the minimum filing requirements in GR-94-228 should be conducted in GR-94-228.

4. Removal of Price Cap from Mid-Kansas Contract

Staff's position is that removal of the price cap provision contained in WRI's original contract with Mid-Kansas Partnership was inappropriate and the Commission should order WRI to reduce natural gas costs by $1,319,902.76 to reflect the cost to Missouri ratepayers of removing this price cap provision.

WRI's position is that consideration of the circumstances surrounding the amendments demonstrates that WRI acted prudently in amending the 1988 contracts.

Along with removal of the price cap provision, the agreement was amended such that Mid-Kansas agreed to reimburse WRI for regulatory disallowances. Company witness Brown testified that this provided a strong incentive to keep Mid-Kansas gas prices reasonable and competitive.

Staff witness Wallis testified that the regulatory disallowance provision does not provide a strong incentive to keep Mid-Kansas gas prices reasonable and competitive but rather merely shifts the responsibility for any regulatory disallowances to Mid-Kansas.

Staff bases its position partially on an eight-page internal correspondence, dated February 22, 1991, from Jack Roberts, KPL Gas Service's former Director of Gas Supply, to Bill Johnson, President of KPL Gas Service. The Kansas Power and Light Company (KPL) adopted the name Western Resources, Inc. (WRI) on May 8, 1992. Mr. Roberts had retired from KPL Gas Service at the time the document was written. Mr. Roberts was serving as a consultant at the time of its writing. (Ex. 3HC, p. 7. ll. 3-5). Mr. Roberts states: "They have removed the WNG cap! They have added the obligation for KPL to pay gathering and transport costs with no limit so he could arrange the most expensive gas that's out there and KPL must pay. This is ludicrous. This would be imprudent on KPL to agree." (Ex. 33HC, Sch. 1-3). In reference to the proposed removal of the price cap, Mr. Roberts further states: "This is KPL's price protection lid that

KPC is so eager to eliminate which would likely expose KPL to substantial costs well beyond other more economic alternatives." (Ex. 33HC, Sch. 1-5). KPC is an acronym for Kansas Pipeline Company.

Staff witness Wallis included a calculation of the proposed price cap adjustment as Schedule 2 attached to his rebuttal testimony. The price cap adjustment is calculated by multiplying the monthly Riverside volumes by the monthly Williams Natural Gas Company F-2 rates less the 15-cent price cap. The total of these amounts is subtracted from the actual Riverside costs to derive the $1,319,903 price cap adjustment.

Mid-Kansas Partnership and Riverside Pipeline Company, L.P. (Mid-Kansas/Riverside) state that WRI acted prudently in amending the 1988 contracts. Mid-Kansas/Riverside further state that the agreement, as amended, is fully consistent with stated policy objectives of the Missouri Public Service Commission regarding competition in the natural gas industry, provided natural gas at prices below comparable suppliers for comparable goods and services during the ACA period, and provides both short and long term price and reliability benefits to citizens of the state of Missouri.

WRI argues that removal of the price cap provision was needed to continue the agreement with Mid-Kansas and that continuation of the agreement was important to bring "pipe on pipe" competition to the Kansas City, Missouri market. However, the Staff counters that the original agreement brought Mid-Kansas as a competitor to Williams Natural Gas Company. The amended agreement did not bring a new competitor to the market.

WRI offered testimony suggesting the importance of introducing a competitor to Williams Natural Gas Company for the transportation of natural gas to the Kansas City, Missouri area. However, Mid-Kansas and Riverside had already been brought into the market as competitors as a result of the original agreement between KPL, Mid-Kansas and Riverside. There is no compelling evidence that

removal of the price cap provision was necessary to retain Mid-Kansas and Riverside as competitors to Williams Natural Gas Company for the transportation of gas to the Kansas City, Missouri area.

The Commission finds that WRI's (nominal successor to KPL) decision to enter into an agreement allowing removal of the price cap provision in the Mid-Kansas/Riverside contract was imprudent because WRI has produced no compelling evidence to counter the conclusion that removal of the price cap was imprudent. In addition, Mr. Jack Roberts, a consultant and former gas supply manager, retained by KPL, advised KPL that removal of the price cap would be imprudent on KPL's part. Finally, the evidence does not demonstrate that removal of the price cap provision was necessary to retain Mid-Kansas and Riverside as competitors to Williams Natural Gas Company for the transportation of gas to the Kansas City, Missouri area.

The Commission finds that the calculation of the amount of the adjustment performed by Staff witness Wallis, and shown as Schedule 2 attached to his rebuttal testimony, is reasonable. Thus, the Commission will order WRI to reduce its natural gas costs by $1,319,902.76 to reflect the cost of its imprudent decision to permit removal of the price cap provision from its contract with Mid-Kansas/Riverside.

5. Allocation of Take-or-Pay Charges to Transportation Customers

MGUA contends that the allocation of take-or-pay costs to transportation customers who were formerly "C" and "I" (commercial and industrial) customers on the KPL/Gas Service/WNG system is inappropriate, unjust and unreasonable in that such customers had no responsibility for causing these costs to be incurred. Moreover, MGUA suggests that take-or-pay costs are not gas costs and should not be charged under the purchased gas adjustment clause.

MGUA argues that Williams Natural Gas Company had no obligation of service in any significant sense to the historically low priority interruptible and curtailable customers. MGUA contends that the motivation for WNG to enter into penalty clauses in supply contracts is not found in any service obligation to these customers; rather, it is found in the significant and unique full requirements service obligation which WNG maintained for the customers that were served under WNG's firm service "F" rate schedule.

MGUA argues that due to WNG's unique tariff structure and Federal Energy Regulatory Commission settlement agreements that "there is no factual basis to assert that the former C and I customers that were and are now transporters in any way caused or were included in allocations of take-or-pay costs to KPL."

WRI's position is that take-or-pay charges should be recovered from all customers through a surcharge on all throughput. WRI witness Brown testified that WRI supports Staff's position that take-or-pay costs are properly recovered from all customers, including transportation customers. Mr. Brown further testified that the take-or-pay costs resulted from elimination of the pipelines' merchant function, that transportation customers received significant benefits of that transportation and those customers should bear a share of the costs.

Staff's position is that WRI's PGA tariff should provide for the recovery of take-or-pay charges. Furthermore, WRI's PGA should provide for the collection of take-or-pay charges from its transportation customers. Therefore, no adjustment is appropriate for this issue.

The Commission is of the opinion that the provision of natural gas to former C and I customers of KPL was a cause of take-or-pay liabilities to WNG and, indirectly, to KPL. The Commission is further of the opinion that the manner by which WNG allocated take-or-pay liabilities does not affect what entities contributed to the original causation of those liabilities.

The Commission agrees with Staff's reasoning on this issue. MGUA's members were former sales customers, although interruptible sales customers, and they are now transportation customers. WNG used the same gas supply contracts to serve both its firm and interruptible loads since it contracted to its supply on a system-wide basis. As previously stated by the Commission, "Transportation customers share, with other customers, responsibility for the purchase deficiencies which triggered TOP liabilities." ***RE: Missouri Public Service***, 30 Mo. P.S.C. (N.S.) 39, 43 (1989).

The Commission finds that since members of MGUA were former sales customers, it makes no difference what pipeline served the LDC; the pipeline had to contract with a producer/supplier to acquire the gas, and it was these contracts, for which the members of MGUA were at least partially responsible, that led to incurrence of take-or-pay liabilities. Therefore, the Commission will not order an adjustment in connection with the allocation of take-or-pay charges issue.

The Commission did not receive Exhibit 18 into the record at the hearing. The Commission will receive Exhibit 18 into the record. In order to ensure clarity of the record, Exhibit 19, pages 1 through 3 and the first nine lines of text on page 4 are hereby received as evidence. The material from page 4, line 10, through the end of page 9 of the document marked as Exhibit 19 has been preserved as an offer of proof.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The Commission has jurisdiction over the rates charged by WRI pursuant to the provisions of Section 393.130, R.S.Mo. 1994. The Commission is obligated to ensure that the rates charged customers are just and reasonable and

a company shall charge only those rates which are found to be just and reasonable by the Commission.

The Commission has approved tariffs for WRI which allow WRI to alter the rates for the cost of gas outside the context of a general rate case. These PGA/ACA tariffs establish a process whereby WRI may periodically file estimated changes in its cost of gas from suppliers of natural gas. The ACA filing is made to ensure that gas costs passed on to customers reflect the utility's actual expenditures for gas rather than the PGA estimated costs. In addition, the ACA filing provides interested parties an opportunity to review the prudence of decisions underlying gas costs passed on to ratepayers by gas utilities through use of the PGA provisions.

It is well settled that the utility (WRI in this instance) has the burden of showing that the gas costs passed on to ratepayers through operation of the PGA tariff are just and reasonable. WRI has the burden of showing the reasonableness of gas costs associated with its rates for natural gas, including rates resulting from application of the WRI's PGA tariff.

To test the reasonableness of WRI's gas costs, the Commission uses a standard of prudence. This standard has been discussed in previous Commission reports and orders in connection with nuclear power plant costs as well as gas costs. ***RE: Union Electric Company***, 27 Mo. P.S.C. (N.S.) 183, 192 (1988); ***RE: Kansas City Power & Light Company***, 28 Mo. P.S.C. (N.S.) 228, 280 (1986). The standard is that when some participant in a proceeding creates a serious doubt as to the prudence of an expenditure, then the company has the burden of dispelling those doubts and proving that the questioned expenditure was prudent.

The Commission will take this opportunity to elaborate upon the prudence standard as applied to gas purchasing practices. The incurrence of expenditures or accrued liabilities on the part of local distribution companies in exchange for the physical delivery of natural gas results from action or

inaction on the part of individuals in the employ of the local distribution company at some point in time. It appears to the Commission that it needs to clarify the parameters of gas cost prudence reviews. The Commission is of the opinion that a prudence review of this type must focus primarily on the cause(s) of the allegedly excessive gas costs. Put another way, the proponent of a gas cost adjustment must raise a serious doubt with the Commission as to the prudence of the decision (or failure to make a decision) that caused what the proponent views as excessive gas costs. The Commission is of the opinion that evidence relating to the decision-making process is relevant to the extent that the existence of a prudent decision-making process may preclude the adjustment. In addition, evidence about the particular controversial expenditures is needed for the Commission to determine the amount of the adjustment. Specifically, the Commission needs evidence of the actual expenditure(s) incurred during the ACA period resulting from the alleged imprudent decision. In addition, it is helpful to the Commission to have evidence as to the amount that the expenditures would have been if the local distribution company had acted in a prudent manner. The critical matter of proof is the prudence or imprudence of the decision from which expenses result.

It appears to the Commission that the Staff's theory underlying the deferred WTS discount issue is that an adjustment should be made in an amount equal to the negative net present value of the decision based on numerous assumptions. The Commission observes that the negative net present value approach appears inconsistent with the concept of an Actual Cost Adjustment process. This ACA period is July 1, 1992, to June 30, 1993. To prove an adjustment, the Staff must create a serious doubt as to the prudence of expenditures incurred during the ACA period. In the area of gas purchasing agreements, expenditures may be incurred for significant periods of time beyond the time of the decision. The amount of a proposed adjustment must be based on

excessive expenditures incurred during the particular ACA period involved. The incurrence of these excessive expenditures may, and probably will, occur in a period after the period of time during which the alleged imprudent decision or decisions giving rise to such excessive expenditures were made. Staff's approach to the deferred WTS discounts appears inconsistent with the ACA procedure in that the amount of Staff's adjustment is calculated over the 20-year life of the contract while the ACA period is a one-year period. Although Staff has raised a serious doubt as to the prudence of the WTS commodity discounts deferral, the Commission concludes that the record in this case does not justify Staff's proposed adjustment.

The Commission concludes that Staff has raised a serious doubt concerning the cost associated with the removal of the price cap on the WRI/Mid-Kansas contract. The Commission determines that WRI has the burden to prove the reasonableness of its decision to allow removal of the price cap provision of the Mid-Kansas/Riverside contract. The Commission concludes that WRI failed to prove the reasonableness of its decision to allow removal of the price cap and resulting costs of the Mid-Kansas/Riverside contract. Furthermore, the Commission finds that WRI's decision to allow removal of the price cap was imprudent as set out in the findings of fact.

IT IS THEREFORE ORDERED:

1. That Exhibit 18 be, and is hereby received for the record of this proceeding.

2. That pages 1 through 3 and the first nine lines of text on page 4 of Exhibit 19 be, and are hereby received for the record of this proceeding.

3. That the material from page 4, line 10, through the end of page 9 of Exhibit 19 is hereby preserved as an offer of proof.

4. That Western Resources, Inc., shall reduce its natural gas costs by $1,319,902.76 to reflect the cost of its imprudent decision to permit removal of the price cap provision in connection with its agreement with Mid-Kansas Partnership and Riverside Pipeline Company, L.P.

5. That those motions and objections not specifically ruled on in this Report And Order and hereby denied or overruled.

6. That this Report And Order shall become effective on the 25th day of July, 1995.

BY THE COMMISSION

David L Rauch

David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Kincheloe and Crumpton, CC., concur.

Dated at Jefferson City, Missouri, on this 14th day of July, 1995.