

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Missouri)
Pipeline Company for Permission, Approval, and a)
Certificate of Public Convenience and Necessity)
Authorizing It to Modify and to Construct, Own,)
Operate, Control, Manage and Maintain a Natural)
Gas Transmission Pipeline, a Delivery Spur,) Case No. GA-96-130
Delivery Stations and Related Interconnections and)
Other Facilities and to Transport Natural Gas in)
Portions of Cass and Jackson Counties, Missouri.)
)

REPORT AND ORDER

Issue Date: June 5, 1996

Effective Date: June 18, 1996

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REPORT AND ORDER

Procedural History

On October 25, 1995, Missouri Pipeline Company (MPC) filed an application with the Commission requesting issuance of a certificate of convenience and necessity to purchase, construct, and operate a natural gas pipeline in the Missouri counties of Cass and Jackson. Interventions were sought and granted for Williams Natural Gas Company (WNG), Kansas City Power & Light Company (KCPL), Laclede Gas Company (LGC), Missouri Gas Energy (MGE), and, jointly, to Riverside Pipeline Company, L.P., and Mid-Kansas Partnership (Riverside and Mid-Kansas, respectively).

A procedural schedule was established and this matter was fully litigated on April 9, 1996. Simultaneous initial and reply briefs were offered and this matter was finally submitted to the Commission for decision on May 17, 1996.

Findings of Fact

The Missouri Public Service Commission, having considered all competent and substantial evidence of record, makes the following findings of fact. The positions and arguments of all parties have been considered by the Commission in making this decision. Failure to reflect a piece of evidence, position, or argument of any party to this proceeding in this Report And Order in no way indicates that the Commission has failed to consider relevant evidence, but indicates only that the omitted matter was not considered relevant to the decision or outcome. In addition, the Commission will not necessarily present each party's version of the facts in this Report And Order, but will make its own independent findings.

MPC is an intrastate pipeline company, regulated by the Missouri Public Service Commission, and is engaged in owning and operating natural gas transmission pipelines in the state of Missouri. MPC is a subsidiary of UtiliCorp Pipeline Systems, Inc. (Pipeline Systems), which, in turn, is a subsidiary of UtiliCorp United Inc. (UtiliCorp). UtiliCorp is an electric and natural gas corporation engaged, generally, in the energy business, and subject to the jurisdiction of the Missouri Commission.

MPC seeks permission to acquire, rehabilitate, and construct a natural gas transmission pipeline in Jackson and Cass Counties, Missouri, as set out in Attachment A to this Report And Order. This proposal, known as the Hawthorn Pipeline Project, is estimated to cost a total of \$15.8 million. The Project includes the purchase of an abandoned crude oil transmission line owned by Amoco, Inc. (Amoco) and the construction of an additional spur pipeline. This spur pipeline would be extended several miles from the northern terminus of the Amoco line to the Hawthorn power plant site, owned and operated by KCPL. The southern terminus of the existing Amoco line is connected to or in the vicinity of interstate gas pipelines owned by both Panhandle Eastern Pipe Line Company and WNG.

As part of its proposal, MPC intends to provide high pressure natural gas service to KCPL's Hawthorn plant and serve as an additional source of gas supply to the MGE service territory. Attachment A also contains the details of the estimated cost of the proposed project and a detailed service map. MPC stated that the costs of the proposed project would be met by internally generated funds.

In its testimony, the Staff of the Commission took substantial issue with the lack of specificity provided by MPC in regard to the financial arrangements purporting the support the venture, the exact nature of the proposed transaction, and the precise authority to be granted MPC

in the certificate. In addition, the Staff recommended a detailed and lengthy list of conditions to be imposed on MPC, to which the parties unanimously agreed and which are included in the settled issues set out in the hearing memorandum.

In the hearing memorandum the parties agreed to a lengthy series of conditions and filings to be imposed on MPC prior to the issuance by the Commission of a certificate. Without setting forth the details of these conditions, suffice it to say that most of the conditional requirements, including proper contracts, agreements, and operating tariffs, are basic to the issuance of the certificate as proposed and, in addition, constitute information which must be evaluated by the Commission prior to, not after, the issuance of a certificate

The remainder of the parties, with the exception of MGE, supported issuance of the required certificate conditioned upon the acceptance of the proposed stipulation and agreement, and various other conditions. MGE initially opposed the issuance of the certificate, generally agreeing with the Commission's reasoning as set out below. Further review of the details of the Staff's, OPC's, and other parties' positions in this case is not necessary in rendering this decision.

In support of the settled issues, the Staff cites *In the Matter of the Application of Missouri Gas Company for a Certificate of Convenience and Necessity*, No. GA-95-231 (August 8, 1995), where the Commission deferred the ratemaking treatment of the prudence of costs and economic feasibility of the project. The Commission would, however, distinguish that case from this matter where the Commission finds that a review of the evidence of record raises a basic threshold question which is dispositive of this matter.

MPC has failed to enter into a contract for purchase of the existing crude oil pipeline from Amoco. Similarly, MPC has failed to establish any written formal arrangement with Pipeline Systems, which MPC noted may purchase the pipeline if MPC doesn't do so. No written financial or accounting arrangements exist as to the treatment of the purchase costs on the MPC books. No contract exists between MPC and MGE defining the MGE service territory and providing for interconnection or bypass arrangements. No contract has been executed between MPC and any other party for the ownership, operation, financing, or construction of the proposed Hawthorn spur. No contract exists between MPC and Panhandle Eastern Pipe Line Company or WNG for the interstate transportation of natural gas to the south terminus of the proposed pipeline.

The Commission must find the proposed certificate to be necessary and convenient for the public before its issuance. However, MPC has failed to provide sufficient financial and other evidence to support such a finding. It is impossible for the Commission to evaluate the proposed transaction with regard to any possible public necessity or benefit. MPC is not the contract purchaser of the Amoco line, has no financial and accounting plan for the anticipated costs, and has no supply, interconnection, or service contracts, signed or unsigned, save a contract with KCPL that virtually guarantees bypass of the local distribution company.

The Commission, therefore, concludes that no evidence exists of record to indicate that the proposed project is, in any way, necessary or convenient for the public. The application of MPC is denied.

The Commission would note that, upon satisfaction of the fundamental matters found lacking in this application, MPC may refile this

matter as the Commission has taken no position in the matter of the necessity and convenience to the public of the pipeline itself.

The Commission would also point out that any future application requesting certification of an intrastate pipeline should, in the requested certificate, contain language confining the requested activity to the transportation of natural gas only. The Commission calls the applicant's attention to Case No. GM-94-252, page 11, in regard to the scope of any anticipated certificate.

As an ancillary matter, evidence in this case shows that the extent and boundaries of the MGE service area are ill-defined. As both the Staff and MGE are parties to this case, the Commission will order the Staff and MGE to cooperate in preparing and filing a tariff setting out the plat and legal description of the current and complete MGE service area and canceling all prior certificates.

As a result of this decision, the Staff's motion to reject the joint recommendation filed May 17, 1996 by MGE, MPC and KCPL is granted, and the joint recommendation is denied.

Conclusions of Law

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

Missouri Pipeline Company is a public utility engaged in the transportation of natural gas in the state of Missouri and, therefore, subject to the general jurisdiction of the Commission pursuant to Chapters 386 and 393, R.S.Mo. 1994.

The Commission has authority under Section 393.170, R.S.Mo. 1994, to grant permission and approval to construct and operate a franchised

service area, should the Commission find, after hearing, that the franchise is necessary or convenient for the public service.

Orders of the Commission must be based on substantial and competent evidence, taken on the record as a whole, and must be reasonable, and not arbitrary, capricious, or contrary to law. In this regard, the Commission has considered all substantial, competent, and relevant evidence in this matter, and determines that insufficient evidence exists to show that the application is necessary and convenient for the public service and in the best interest of the public. Therefore, the certificate cannot be granted.

IT IS THEREFORE ORDERED:

1. That the application of Missouri Pipeline Company, filed October 25, 1995, is hereby denied for the reasons as set out above.

2. That Missouri Gas Energy and the Staff of the Commission are hereby ordered to comply with the instructions of the Commission regarding the Missouri Gas Energy service area as set out above.

3. That the joint recommendation filed May 17, 1996, by Missouri Gas Energy, Kansas City Power & Light Company and Missouri Pipeline Company is hereby denied.

4. That this Report And Order shall become effective on the 18th day of June, 1996.

BY THE COMMISSION

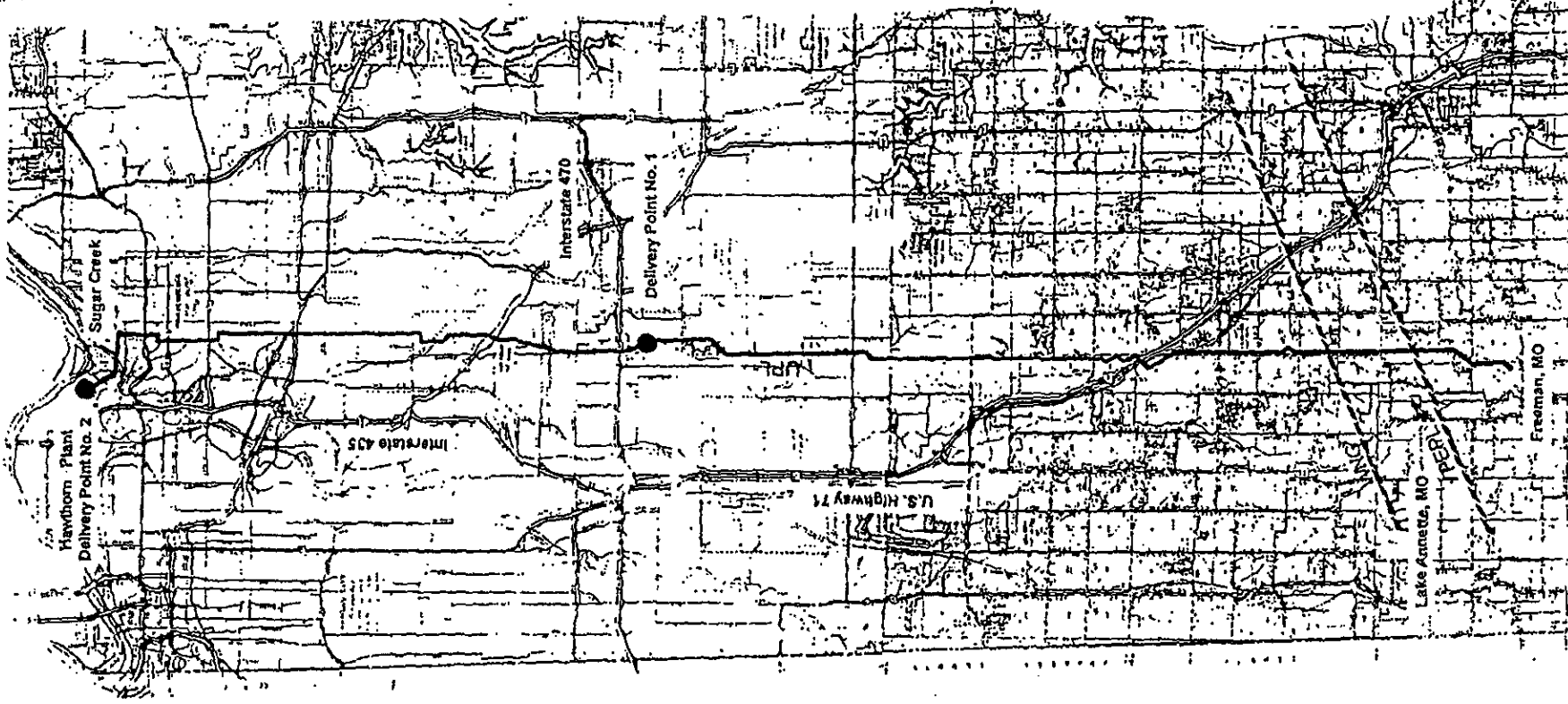
A handwritten signature in cursive script, reading "David L. Rauch".

**David L. Rauch
Executive Secretary**

(S E A L)

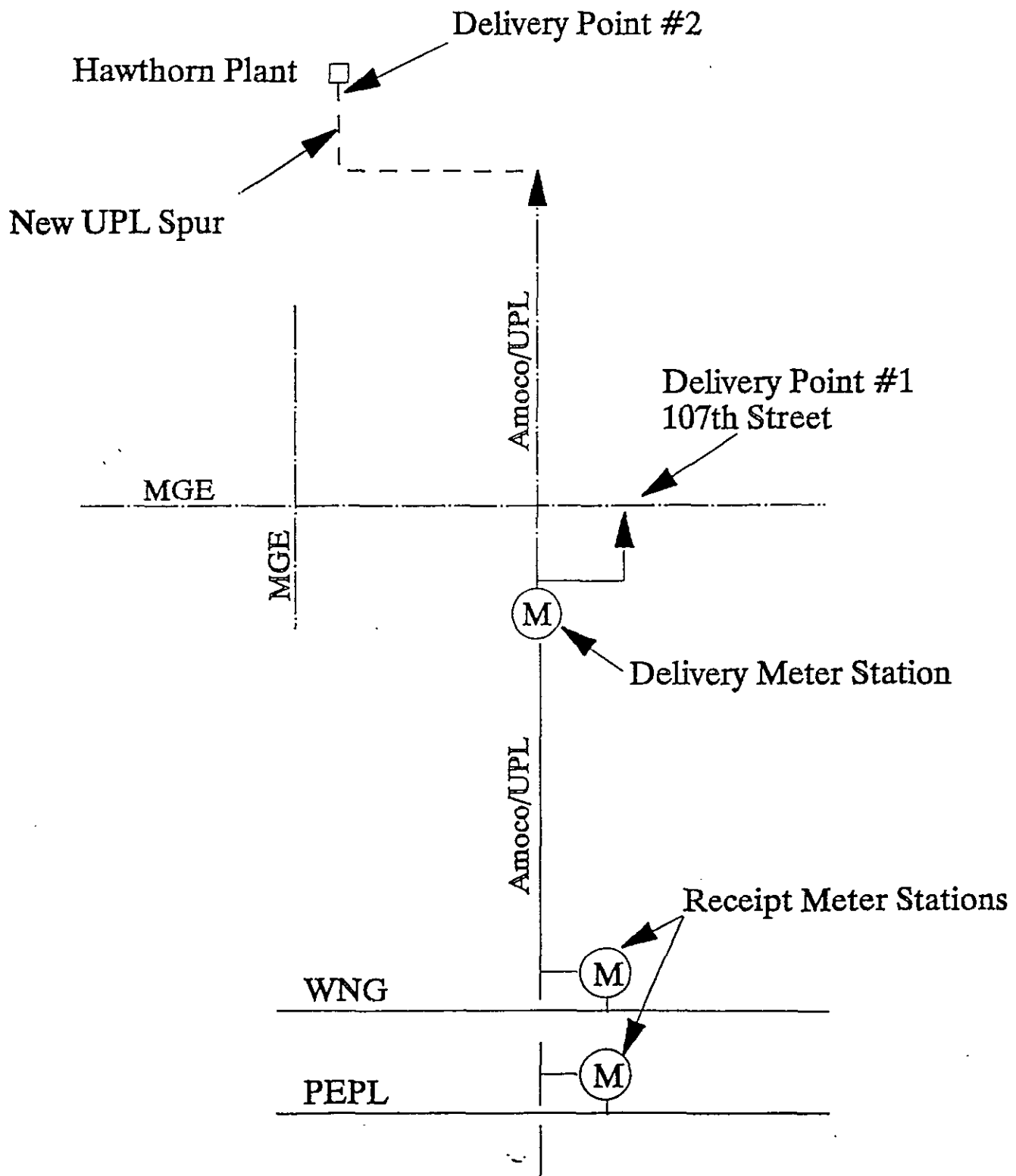
Zobrist, Chm., Kincheloe,
Crumpton and Drainer, CC., concur
and certify compliance with the
provisions of Section 536.080,
R.S.Mo. 1994.
McClure, C., absent.

Dated at Jefferson City, Missouri,
on this 5th day of June, 1996.



UNI-CORP PIPELINE SYSTEMS
ENERGY/DNE

Hawthorn Pipeline Project



Missouri Pipeline Company
Hawthorn Pipeline Project

Estimated Cost of Facility

Line purchase/new construction	\$11,500,000
Line Conversion Costs	\$1,500,000
Regulatory/ROW Legal Costs	\$250,000
Construction of Delivery Stations	\$2,300,000
Engineering/Inspection	<u>\$250,000</u>
 Total Estimated Facility Cost	 \$15,800,000

Operating Expenses	Year 1	Year 2	Year 3	Year 4	Year 5
Gen'l and Admin:	\$150,000	\$156,000	\$162,240	\$168,730	\$175,479
Operation and Maintenance:	\$225,000	\$234,000	\$243,360	\$253,094	\$263,218
Field General:	\$150,000	\$156,000	\$162,240	\$168,730	\$175,479
Ad Valorem Tax:	\$316,000	\$328,640	\$341,786	\$355,457	\$369,675
UCU Allocation:	<u>\$75,000</u>	<u>\$78,000</u>	<u>\$81,120</u>	<u>\$84,365</u>	<u>\$87,739</u>
Total Expenses	\$916,000	\$952,640	\$990,746	\$1,030,375	\$1,071,590