

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 July, 1990.

In the matter of the application of United Cities Gas Company)
for the issuance of an accounting order relating to its gas) Case No. GO-90-215
operations.)
)

ORDER GRANTING REQUEST FOR ACCOUNTING ORDER

On February 27, 1990, United Cities Gas Company (UCGC) filed an application for issuance of an accounting order relating to its gas operations. UCGC stated that it was seeking Commission approval to defer and record expenditures and costs incurred in connection with its gas safety projects from January 1, 1989, to the effective date of rates established in UCGC's next general rate case. UCGC stated it was specifically requesting authority to defer and book to Account 186 the costs that would normally be expensed.

On May 24, 1990, the Commission Staff (Staff) filed a memorandum recommending UCGC's application be denied. Staff stated it opposed UCGC's application for several reasons. First, the expenditures are not of an extraordinary nature and therefore to defer and not to expense them is inappropriate accounting treatment. Second, since no rate case is pending for UCGC, its proposal to defer its costs to some indefinite rate case date would distort its financial statements. Staff also stated that because of the company's inability to provide estimates for costs to be deferred for 1990, Staff is unable to determine whether the magnitude of these costs justifies the accounting treatment requested.

Staff also noted that the instant application differs from similar ones granted by the Commission. The application differs from The Kansas Power and Light Company's (KPL's) and Missouri Public Service's (MoPub's) because each of those companies had imminent rate cases.

On June 1, 1990, UCGC filed a response to Staff's recommendation. In its response UCGC attributes its increase in expenditures for complying with gas safety rules to its acquisition of Great River Gas Company, and characterizes the increase as extraordinary, unusual and nonrecurring. UCGC points out that KPL Gas Service and UtiliCorp/Missouri Public Service had received similar authority to defer, and UCGC dismisses Staff's concerns about it not having an imminent rate case by stating it was not in its best interest to defer costs for an extended period.

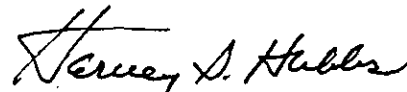
UCGC seeks Commission approval to defer costs, which are normally expensed, of its operations and maintenance expenditures and deferral of depreciation, property taxes, and carrying charges on plant items already in service. All of these items are related to UCGC's compliance with the Commission's gas safety rules.

It is indisputable that compliance to these rules imposed certain additional costs upon UCGC. It is the Commission's opinion UCGC should be allowed to preserve these costs on its books so that it can have the opportunity to request that they can be recovered in its next rate case. Similar treatment has been accorded Kansas Power & Light Company and Missouri Public Service Company. Therefore, the Commission finds the accounting authority order should be granted.

IT IS THEREFORE ORDERED:

1. That the application for an authority order be hereby granted.
2. That this order shall become effective on the 31st day of July, 1990.

BY THE COMMISSION



Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., McClure and
Letsch-Roderique, CC., Concur.
Mueller and Rauch, CC., Dissent.