

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the matter of Missouri Public Service tariff sheets  
designed to increase rates for gas service provided to  
customers in the Missouri service area of the company.

)  
) Case No. GR-93-172  
)



**APPEARANCES**

Gary W. Duffy and James C. Swearingen, Brydon, Swearingen & England, P.C.,  
312 East Capitol Avenue, Post Office Box 456, Jefferson City, Missouri 65102, for  
Missouri Public Service, a division of UtiliCorp United Inc.

Randy Bakewell, Assistant Public Counsel, Office of Public Counsel, Post Office  
Box 7800, Jefferson City, Missouri 65102, for the Office of Public Counsel and  
the public.

Jeffrey A. Keevil, Senior Counsel, William K. Haas, Assistant General Counsel,  
and David Woodsmall, Assistant General Counsel, Missouri Public Service Commis-  
sion, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the  
Missouri Public Service Commission.

**HEARING EXAMINERS:** Elaine Bensavage, Edward C. Graham.

**REPORT AND ORDER**

**Procedural History**

On November 25, 1992, Missouri Public Service (Company), a division of  
UtiliCorp United Inc., filed proposed tariffs reflecting increased rates for gas  
service provided to customers in the Missouri service area of the Company. The  
proposed tariffs were designed to produce an increase of approximately \$3,800,000  
in charges for gas service, exclusive of gross receipts and sales tax, and bore  
an effective date of December 26, 1992.

On December 23, 1992 the Commission issued a Suspension Order And  
Notice Of Proceedings which suspended the proposed tariffs until October 25,  
1993, and established a procedural schedule directing, *inter alia*, that applica-  
tions to intervene should be filed on or before January 22, 1993. There were no  
intervenors. Pursuant to the procedural schedule Company filed its prepared

direct testimony on January 22, 1993, and the Commission's Staff (Staff) and the Office of Public Counsel (Public Counsel) filed their direct testimony on May 28, 1993. The prehearing conference commenced on June 14, 1993 as ordered with all parties present. A hearing memorandum was due on July 9, 1993 and a hearing was scheduled to commence August 9, 1993. On July 16, 1993 the parties filed a Stipulation And Agreement with all parties signing. On August 9, 1993 the hearing was commenced to submit the Stipulation And Agreement to the Commission for its consideration, along with all the supporting testimony and schedules.

### 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.

Missouri Public Service, or Company, provides natural gas and electric service to more than 200,000 customers in 28 counties in west central and north central Missouri. The Company separates its gas operations into a Southern System with approximately 29,450 customers and a Northern System with approximately 10,550 customers. The distinguishing characteristic between the two operations is the interstate pipelines serving each area. Customers on the Southern System are served by Williams Natural Gas Company and customers on the Northern System are served by Panhandle Eastern Pipe Line Company. Company's principal office is located at 10700 East 350 Highway, Kansas City, Missouri 64138.

The Stipulation And Agreement filed as Exhibit 1, and attached hereto as Appendix 1 and incorporated herein by reference, purports to settle all issues pertaining to this case. Company, Staff and Public Counsel have agreed to a dollar settlement of the revenue requirement so that Company should be authorized to file revised gas tariffs and rate schedules designed to produce an increase

in overall Missouri jurisdictional gross annual gas revenues in the amount of \$1,850,000, exclusive of any applicable license, occupation, franchise, gross receipts, taxes or other similar fees or taxes. The parties have agreed that the said proposed revised gas tariffs and rate schedules shall be effective for gas service rendered on and after September 1, 1993. The forms of proposed revised gas tariffs and rate schedules reflecting the increase and allocating it among the modified rate schedules and/or special contracts are set out in Attachment 1 to the Stipulation And Agreement. The parties stated that the proposed revised gas tariffs and rate schedules also include certain rate design changes intended to bring the rates closer to the cost of rendering service.

The parties also state in the Stipulation And Agreement that the proposed revised gas tariffs and rate schedules reflect other agreements by the parties including agreed-upon changes or additions to the Company's General Terms and Conditions for the provision of gas service, as well as major revisions to the Company's purchased gas adjustment (PGA) clause. These revisions include: (1) modifying existing special contract rates to allow the Company to flex take-or-pay (TOP) and transition costs; (2) extending the filing time for PGA factor changes from 10 days to 20 days; (3) adding provisions to the PGA clause that require the reconciliation of the TOP rates and the refund adjustment factor to occur simultaneously with the annual cost adjustment (ACA) reconciliation; (4) adding a provision to address billing and reconciliation of fixed transition costs; (5) modifying the tariffs to shift the gas cost rate embedded in the rate classification's margin tariff sheets into the PGA factor tariffs; (6) adding a provision that will create firm and interruptible gas cost class allocations for each of the Company's Northern and Southern Systems; and (7) consolidating the Northern and Southern System margin rates (rates for costs other than gas) into a single rate for each rate classification.

By signing the Stipulation And Agreement the Company also specifically agrees to: (1) withdraw its economic development rider; (2) adjust its recoverable TOP balance by reducing such balance by \$47,096; (3) investigate the cause of the negative lost and unaccounted-for gas factor for its Southern System and submit a report to Staff by December 31, 1993; (4) complete and provide to Public Counsel within one year of the date of the Commission Order studies of the long run marginal cost of serving customers who are now being served under Company's special contract tariff; and (5) not file an application for an accounting order with respect to expenditures associated with the replacement of approximately 35 to 50 miles of gas mains, as well as certain yard lines after April 30, 1993 in accordance with its updated Pipe Replacement Program attached to the Stipulation And Agreement as Attachment 3.

Other agreements set out in the Stipulation And Agreement are that tariff and general issues regarding advertising and billing by regulated utilities for other nonregulated entities should be addressed in separate rule-making proceedings before the Commission, that the Company's accounts shall reflect pension costs equal to contributions made to its established pension funds which shall result in the discontinuation of the previous practice under FAS 87, and that interest expense on customer deposits should be based upon the Company's currently authorized rate of 9 percent.

The Commission, after considering the aforesaid Stipulation And Agreement with Attachments 1, 2 and 3, the testimony and schedules admitted into evidence at the hearing, and after examining the parties at the hearing, determines that the Stipulation And Agreement is just and reasonable as to the revenue requirement agreed upon by the parties, the rates agreed to in the rate design, the agreed-upon changes or additions to the Company's General Terms and Conditions for the provision of gas service as well as major revisions to the

Company's PGA clause, and all other agreed-upon terms and conditions specified therein and as previously set out herein.

In restating the Stipulation And Agreement with references to its Attachments 1, 2 and 3, the Commission is not changing the language and terms of the Stipulation And Agreement with its Attachments, but adopts it in full as resolving all issues that were set out therein. The Commission in adopting the Stipulation And Agreement is satisfied that the negotiated settlement represents a reasoned and fair resolution of the issues in this case and that it would be in the interests of all parties for the Commission to adopt the Stipulation And Agreement.

### Conclusions of Law

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

Company is a public utility subject to the jurisdiction of the Commission pursuant to Chapters 386 and 393, R.S.Mo. 1986, as amended.

Pursuant to Section 536.060, R.S.Mo. 1986, the Commission may approve a stipulation and agreement concluded among the parties to any issues in a contested case. The Commission, in accordance with its statutory power, has determined that the Stipulation And Agreement which settles all issues in this case including revenue requirement, rate design, nonrevenue issues, and nonrevenue tariff changes, is just and reasonable and appropriate and therefore should be approved in full.

Based upon the Commission's findings of fact in this case and conclusions of law, the Commission determines that just and reasonable revised tariffs in substantially the form as set out in Attachment 1 to the Stipulation And Agreement should be filed by the Company designed to increase its total Missouri gross annual gas revenues exclusive of any applicable license, occupa-

tion, franchise, gross receipts taxes or other similar fees or taxes by \$1,850,000. Said tariffs and rate schedules shall be effective for gas service rendered on and after September 1, 1993.

The Commission further concludes that since the gas rate increase approved does not exceed seven percent, the provisions of Section 393.275, R.S.Mo. 1986, do not apply.

**IT IS THEREFORE ORDERED:**

1. That the Missouri Public Service Commission hereby approves and adopts the Stipulation And Agreement, incorporated herein by reference and attached hereto as Appendix 1, for gas service by Missouri Public Service, a division of UtiliCorp United Inc.

2. That pursuant to the findings of fact and conclusions of law in this Report And Order approving the Stipulation And Agreement, the proposed gas tariffs filed by Missouri Public Service, a division of UtiliCorp United Inc., on November 25, 1992 are hereby rejected.

3. That Missouri Public Service, a division of UtiliCorp United Inc., be hereby authorized to file, in lieu of the rejected tariffs, for approval of the Commission, tariffs designed to increase gross revenues, exclusive of any applicable license, occupation, franchise, gross receipts taxes, or other similar fees or taxes, by the amount of \$1,850,000 for gas service on an annual basis over the current revenues.

4. That the tariffs to be filed pursuant to this Report And Order shall become effective for gas service rendered on and after September 1, 1993.

5. That this Report And Order shall become effective on the 1st day of September, 1993.

BY THE COMMISSION

A handwritten signature in cursive script that reads "Brent Stewart". The signature is written in dark ink and is positioned above the printed name and title.

Brent Stewart  
Executive Secretary

(S E A L)

McClure, Perkins and Kincheloe,  
CC., concur.  
Mueller, Chm., and Crumpton, C.,  
absent.

Dated at Jefferson City, Missouri,  
on this 13th day of August, 1993.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED  
JUL 16 1993  
MISSOURI  
PUBLIC SERVICE COMMISSION

In the matter of Missouri )  
Public Service tariff sheets )  
designed to increase rates )  
for gas service provided to )  
customers in the Missouri )  
service area of the Company. )

Case No. GR-93-172

STIPULATION AND AGREEMENT

On November 25, 1992, Missouri Public Service (MPS or Company) submitted to the Missouri Public Service Commission (Commission) tariffs reflecting increased rates for gas service provided to customers in the Missouri service area of the Company. The proposed tariffs had a requested effective date of December 26, 1992, and were designed to produce an increase of approximately 11.45% (\$3,800,000) in charges for gas service.

On December 23, 1992, the Commission issued a Suspension Order and Notice of Proceedings (Suspension Order). The Suspension Order suspended the tariffs until October 25, 1993, and established a procedural schedule directing, inter alia, that applications to intervene should be filed on or before January 22, 1993; Company should file its prepared direct testimony on or before January 22, 1993; Staff, Public Counsel and each intervenor should file their prepared direct testimony on or before May 28, 1993; a prehearing conference commence on June 14, 1993, and continue through June 18, 1993, as necessary; that the parties file a hearing memorandum setting out the issues to be heard and witnesses to appear no later than June 25, 1993; and that a hearing commence on August 9, 1993,



and continue through August 13, 1993, as necessary. Thereafter, by Notice dated June 24, 1993, the date for filing of the hearing memorandum was extended from June 25, 1993 to July 9, 1993.

The Company, Public Counsel and Staff each filed their prepared direct testimony and schedules according to the suspension order; there were no intervenors to the proceeding. The Company filed the prepared direct testimony and schedules of 13 witnesses; Staff filed direct testimony of 14 witnesses; and Public Counsel filed direct testimony of 4 witnesses. The prehearing conference commenced on June 14, 1993, as ordered. All parties were represented.

As a result of the prehearing conference, and discussions following the prehearing conference, the undersigned parties (Parties), have reached the following stipulations and agreements:

1. MPS shall be authorized to file revised gas tariffs and rate schedules designed to produce an increase in overall Missouri jurisdictional gross annual gas revenues in the amount of \$1,850,000, exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar fees or taxes. Said tariffs and rate schedules shall be effective for service rendered on and after September 1, 1993.

2. The form of tariffs and rate schedules reflecting this increase and allocating it among the modified rate schedules and/or special contracts are set forth in Attachment 1 hereto. The tariffs and rate schedules also include certain rate design changes

intended to bring the rates closer to the cost of rendering service.

The Parties are ready to make a formal presentation of this Stipulation to the Commission on the record on what is currently scheduled to be the first day of the hearing in this case, i.e., August 9, 1993, or otherwise at the Commission's convenience. Presentation of this Stipulation on August 9, 1993, would provide approximately two weeks for the Commission to issue an order approving this Stipulation, with a ten day effective date, and still allow the compliance filing of tariffs and rate schedules to be effective for service rendered on and after September 1, 1993, as agreed to herein.

3. The tariffs and rate schedules set out in Attachment 1 hereto also reflect other agreements by the Parties including agreed-upon changes or additions to the Company's General Terms and Conditions for the provision of Gas Service, as well as major revisions to the Company's Purchased Gas Adjustment (PGA) Clause. Without limiting the generality of the foregoing, these agreements include:

- (a) modifying the existing special contract rates tariff sheet to allow the Company to flex take or pay (TOP) and transition cost (TC) rates for the City of Marshall and for Pittsburgh Corning pursuant to the review of contracts in this proceeding;

- (b) setting forth a provision to extend the filing time for PGA factor changes from 10 days to 20 days before the effective date of the tariff sheets;

- (c) adding provisions to the PGA Clause that require the reconciliation of the TOP rates

and the Refund Adjustment factor to occur simultaneously with the ACA reconciliation;

(d) adding a provision to address billing and reconciliation of fixed Transition Costs incurred by Company;

(e) modifying the tariffs to shift the gas cost rate embedded in the rate classification's margin (costs other than gas costs) tariff sheets into the PGA factor tariff sheets;

(f) adding a provision that will create firm and interruptible gas cost class allocations for each of Company's Northern and Southern Districts;

(g) consolidating the Northern and Southern District margin rates (rates for costs other than gas) into a single rate for each rate classification.

4. The Company agrees:

(a) To withdraw the economic development rider (EDR) tariff submitted by the Company in this proceeding.

(b) To adjust its recoverable take or pay balance by reducing such balance by \$47,096 (as more specifically set forth in the amendment of Staff's Recommendation for Company's 1991-1992 Actual Cost Adjustment filed in Case No. GR-92-71 and attached hereto as Attachment 2).

(c) To investigate the cause of the negative lost and unaccounted for gas factor (L&U factor) for its Southern system and submit a report detailing the results of such investigation to the Manager of the Energy Department of the Staff by December 31, 1993 (as more specifically set forth in the prepared direct testimony of Staff witness John Kottwitz).

- (d) To complete and provide to the Office of the Public Counsel, within one year of the date of the Commission order approving this Stipulation and Agreement, studies of the long run marginal cost (LRMC) of serving customers who are now being served under MPS's special contract tariff. The Company further agrees to perform and supply such studies for any customers beginning service under said tariff after the aforementioned date, if the Company proposes in a future general rate proceeding to base rates on actual revenues for said customers rather than imputed full tariff revenues. The studies on such new customer must be completed before the Company makes such a proposal. Public Counsel agrees to assist, at Company's request, in the planning and execution of these LRMC studies, but the Company shall be the sole sponsor of such studies if they are used in any way for ratemaking purposes.

Also, pursuant to the Commission's Pipeline Safety Regulations, specifically 4 CSR 240-40.030(15) concerning Replacement Programs, the Company intends, after April 30, 1993, to replace approximately 35 to 50 miles of gas mains, as well as certain yard lines, in accordance with its updated Pipe Replacement Program which has been provided to designated Commission Staff personnel, a copy of which is attached hereto as Attachment 3. The Company agrees not to file an application with the Commission for an accounting authority order (AAO) with respect to expenditures associated with the replacement of said gas mains and yard lines. Nothing herein, however, shall prohibit the Company from seeking an AAO from the Commission with respect to any other expenditures

associated with any other gas main and/or yard line replacement program. Furthermore, nothing herein shall be deemed to alter the Company's current responsibilities under its written pipeline safety replacement program or the Commission's Pipeline Safety Regulations.

5. The Parties agree that the tariff and general issues regarding advertising and billing by regulated utilities for other non-regulated entities, including non-regulated affiliates, raised by Staff witness Wendell Hubbs in his prepared direct testimony in this case concerning Service Today, should be addressed in a separate rulemaking proceeding before this Commission.

6. The Parties agree that the Company's accounts shall reflect pension costs equal to contributions made to its established pension funds, discontinuing its previous practice under FAS 87 effective upon the effective date of the tariffs in this proceeding. The recognition of pension costs on a contribution approach for financial reporting purposes does not preclude the Staff or any other party from challenging the reasonableness of any contribution for the purpose of setting rates for MPS in any future rate proceeding.

7. The Parties agree that interest expense on customer deposits should be based upon the Company's currently authorized rate of 9%.

8. The prefiled direct testimony, schedules, exhibits and minimum filing requirements submitted by the Parties shall be

received into evidence without the necessity of the respective witnesses taking the stand.

9. Except to the extent specified herein, none of the Parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking principle or any method of cost determination or cost allocation underlying or allegedly underlying this Stipulation and Agreement and the rates provided for herein.

10. This Stipulation and Agreement represents a negotiated dollar settlement for the sole purpose of disposing of this case, and none of the Parties to this Stipulation and Agreement shall be prejudiced or bound in any manner by the terms of the Stipulation and Agreement in any other proceeding except as otherwise specified herein.

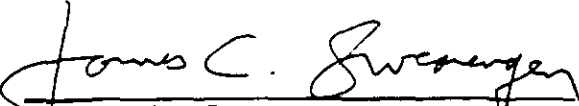
11. In the event the Commission accepts the specific terms of this Stipulation and Agreement, and the revised tariffs become effective in accordance with the provisions contained herein, the Parties waive their respective rights to cross-examine each other's witnesses; to present oral argument and written briefs pursuant to Section 536.080.1 RSMo 1986, to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 1986, and to judicial review pursuant to Section 386.510 RSMo 1986.

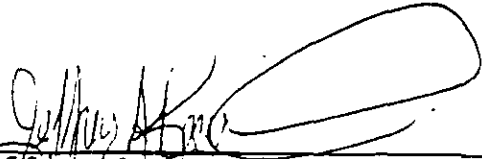
12. This Stipulation and Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. In the event the Commission does not adopt the terms and conditions of this Stipulation and Agreement in total, or


in the event the revised tariffs do not become effective in accordance with the provisions contained herein, the Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof.

13. In the event this Stipulation and Agreement is not contested, the Staff shall have the right to file with the Commission a confidential summary of the provisions of this Stipulation and Agreement and to provide to the Commission whatever further explanation the Commission requests. The summary shall not become a part of the record of this proceeding and shall not bind or prejudice the Staff in any future proceeding or in this proceeding in the event the Commission does not approve the Stipulation and Agreement. The contents of the summary provided by Staff are its own and are not acquiesced in or otherwise adopted by the other Parties to this Stipulation and Agreement, whether or not the Commission approves and adopts the 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 counsel of record as shown on the attached service list this 16th day of July, 1993.