

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Associated Natural Gas Company,)
Division of Arkansas Western Gas Company, for) CASE NO. GR-90-152
authority to file tariffs to increase rates for)
natural gas service in Missouri.)

APPEARANCES: James C. Swearengen and Gary W. Duffy, Attorneys at Law, -
Hawkins, Brydon, Swearengen & England P.C., 312 East
Capitol Avenue, P. O. Box 456, Jefferson City, Missouri
65102 and Jeff Dangeau, Attorney at Law, P. O. Box 1408,
Fayetteville, Arkansas 727-1408, for Associated Natural
Gas Company.

Richard S. Brownlee, III, Attorney at Law, Hendren and Andrae,
235 East High Street, Jefferson City, Missouri 65102, for
Noranda Aluminum, Inc.

John B. Coffman, Assistant Public Counsel, P. O. Box 7800,
Jefferson City, Missouri 65102, for the Office of the Public
Counsel and the Public.

William M. Shansey, Assistant General Counsel, P. O. Box 360,
Jefferson City, Missouri 65102, for the Missouri Public
Service Commission.

REPORT AND ORDER

On January 22, 1990, Associated Natural Gas Company (ANG), a division of Arkansas Western Gas Company, submitted tariffs designed to increase its annual gas service revenues by approximately 10.11 percent (\$3,300,051). On February 6, 1990, ANG withdrew tariff sheets P.S.C. Mo. No. 6, Original Sheet No. 2A, Original Sheet No. 3B, Original Sheet Sheet No. 8A, and Original Sheet No. 12A from its January 12, 1990, filing. ANG then filed new tariff sheets replacing those withdrawn which bear an effective date of March 8, 1990.

On February 16, 1990, the Commission suspended both sets of tariffs until December 22, 1990, and established a procedural schedule for the filing of prefiled testimony and a hearing to be held September 17, 1990 through September 21, 1990.

On July 10, 1990, the Commission Staff filed a Motion To Dismiss because of the refusal of ANG to respond to data requests (DRs) in a timely manner, which Staff contended has prevented it from preparing its testimony.

The Commission, by order, set oral argument on the Motion To Dismiss. As a result of the argument held on July 25, 1990, the Commission denied the Motion To Dismiss and modified the procedural schedule with the hearing to be held from October 22 to October 26, 1990.

At the convening of the hearing on October 22, 1990, the parties announced the stipulation of all issues other than rate design and asked for a continuance until October 26, 1990, for the trial of that issue. Upon the convening of the hearing on October 26, 1990, the parties presented to the Commission a proposed Stipulation And Agreement in disposition of all issues.

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:

ANG is a public utility which provides gas service within a service territory in three unconnected areas in the State of Missouri including a Butler District, a Kirksville District and a Southeast Missouri (SEMO) District. In this case ANG sought Commission approval of an annual increase in gas revenues in the amount of \$3,300,051. As a result of the negotiations between the parties, it is recommended that the Commission approve an annual increase in Missouri jurisdictional gross revenues for gas service of \$876,236, or approximately 2.8 percent.

The tariffs proposed by the parties in this matter also include a number of rate design and service charge changes intended to bring the rates charged by the Company closer to the costs of rendering service. Because the three Districts are unconnected, the proposed increases are in varying amounts that are based on the

actual costs of rendering service pursuant to the various class cost of service studies performed by the parties. The increases for the average residential customers are approximately 4.44 percent for the Kirksville District, 7.78 percent for the SEMO District, and 10.71 percent for the Butler District. The higher cost of service in the Butler District generally results from the District being fairly rural in nature with a low customer density, and the absence of any large commercial or industrial customers.

The Commission has reviewed the rates stipulated by the parties and finds that they are reasonable and the Stipulation And Agreement should be adopted in disposition of all matters in this case. The stipulation, which adequately describes the numerous proposed tariffs changes, is attached hereto and is incorporated herein by reference.

Conclusions Of Law

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

The Company is a public utility subject to the jurisdiction of this Commission as provided in Chapters 386 and 393, RSMo (Supp.) 1990. The tariffs which are the subject matter of this proceeding were suspended pursuant to authority vested in this Commission in Section 393.150, RSMo. The burden of proof to show that the proposed increased rates are just and reasonable shall be upon the Company. The Commission, after a notice and hearing, may order a change in any rate, charge or practice, including rate design, and it may determine and prescribe the lawful rate, charge, or practice thereafter to be observed.

The Commission may consider all facts which, in its judgment, have any bearing upon the proper determination of the price to be charged, with due regard, among other things, to a reasonable average return upon the value of the property actually used in public service, and to the necessity of making reservations out of

issue for surplus and contingencies. In so doing, the Commission shall consider the fair value of the property in its proper relationship to all other facts that have a material bearing on the establishment of fair and just rates.

For ratemaking and rate design purposes, the Commission may accept a stipulation of settlement on any contested matters submitted by the parties. The Commission is of the opinion that when the matters of agreement between the parties appear to be reasonable and proper, they should be accepted.

The Commission concludes that the proposed rate increase provided for in the Stipulation And Agreement attached hereto, is just and reasonable and should be adopted. The Commission also concludes that the tariffs described in Appendix A to the Stipulation And Agreement, which bear an issue date of October 24, 1990, and a proposed effective date of November 15, 1990, should be approved to be effective for service rendered on and after November 15, 1990.

The Commission is also of the opinion and concludes that within ten (10) days from the effective date of this Report and Order ANG should furnish a list of the cities or counties in its Butler District which impose a business license tax, together with the estimate of the annual increase in gross receipts resulting to those cities or counties from the revenue increase herein authorized.

The Commission is also of the opinion that, as provided for in the Stipulation And Agreement, the prefiled testimony and exhibits of all parties should be received in evidence as hereinafter ordered.

IT IS THEREFORE ORDERED:

1. That the Missouri Public Service Commission adopts the Stipulation And Agreement filed herein on October 24, 1990, and offered at the hearing held on October 26, 1990.

2. That the revised tariffs filed on January 22, 1990, and February 6, 1990, and suspended herein, be, and they are, hereby disallowed, and the revised

tariffs listed in Appendix A attached hereto, bearing an issue date of October 24, 1990, and an effective date of November 15, 1990, be approved for service rendered on and after November 15, 1990.

3. Pursuant to the Stipulation And Agreement the prefiled direct testimony, schedules, exhibits and minimum filing requirements submitted by Associated Natural Gas Company, the Commission Staff, the Office of the Public Counsel, and Noranda Aluminum, Inc., shall be received into evidence as follows:

Exhibit 1	List of Data Requests (received July 25, 1990)
Exhibit 2	Stipulation And Agreement
Exhibit 3	Proposed Tariffs
Exhibit 4	Minimum Filing Requirements, Part 1
Exhibit 5	Minimum Filing Requirements, Part 2
Exhibit 6	Direct testimony of William V. Martin
Exhibit 7	Direct testimony of Stanley D. Green
Exhibit 8	Direct testimony of D. W. Eisinger
Exhibit 9	Direct testimony of J. A. Jeter
Exhibit 10	Direct testimony of W. K. Strand
Exhibit 11	Direct testimony of Robert J. Zeles
Exhibit 12	Rebuttal testimony of Ronald J. Iverson
Exhibit 13	Rebuttal testimony of Ted F. Knight
Exhibit 14	Rebuttal testimony of Ricky A. Gunter
Exhibit 15	Rebuttal testimony of Charles V. Stevens
Exhibit 16	Rebuttal testimony of John F. Brown
Exhibit 17	Rebuttal testimony of D. W. Eisinger
Exhibit 18	Rebuttal testimony of J. A. Jeter
Exhibit 19	Rebuttal testimony William V. Martin
Exhibit 20	Rebuttal testimony of Stanley D. Green
Exhibit 21	Rebuttal testimony of Robert J. Zeles
Exhibit 22	Direct testimony of David Sommerer
Exhibit 23	Rebuttal testimony of David Sommerer
Exhibit 24	Direct testimony of Robert R. Leonberger
Exhibit 25	Direct testimony of Bohdan Matisziw
Exhibit 26	Direct testimony of David C. Parcell
Exhibit 27	Rebuttal testimony of David C. Parcell
Exhibit 28	Direct testimony of Michael J. Ileo
Exhibit 29	Direct testimony of Anne Ross
Exhibit 30	Direct testimony of Eve A. Lissik
Exhibit 31	Direct testimony of Jeanne A. Lloyd
Exhibit 32	Direct testimony of Dale W. Johansen
Exhibit 33	Rebuttal testimony of Dale W. Johansen
Exhibit 34	Direct testimony of Roy M. Boltz, Jr.
Exhibit 35	Rebuttal testimony of Roy M. Boltz, Jr.
Exhibit 36	Direct testimony of Tim L. Tunks
Exhibit 37	Rebuttal testimony of Tim L. Tunks
Exhibit 38	Direct testimony of Melvin T. Love
Exhibit 39	Direct testimony of Martin Turner
Exhibit 40	Direct testimony of Philip S. Lock

Exhibit 41	Direct testimony of Mehdi Nazeri
Exhibit 42	Direct testimony of James A. Gray
Exhibit 43	Rebuttal testimony of Cary G. Featherstone
Exhibit 44	Staff Accounting Schedules
Exhibit 45	Direct testimony of Philip B. Thompson
Exhibit 46	Rebuttal testimony of Philip B. Thompson
Exhibit 47	Direct testimony of Russell B. Trippensee
Exhibit 48	Direct testimony of Donald E. Johnstone
Exhibit 49	Rebuttal testimony of Donald E. Johnstone
Exhibit 50	Direct testimony of David Hart

4. That within ten (10) days from the effective date of this Report and Order Associated Natural Gas Company shall furnish to the Commission the information required to comply with Section 393.275, RSMo, as described herein.

5. That this Report and Order shall become effective on November 13, 1990.

BY THE COMMISSION

Brent Stewart
Brent Stewart
Interim Executive Secretary

(S E A L)

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

Dated at Jefferson City, Missouri,
on this 2nd day of November, 1990.

FILED

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

OCT 24 1990

In the matter of Associated Natural)
Gas Company, Division of Arkansas)
Western Gas Company, for authority to)
file tariffs to increase rates for)
natural gas service in Missouri.)

PUBLIC SERVICE COMMISSION

Case No. GR-90-152

STIPULATION AND AGREEMENT

As a result of discussions and negotiations during and following the prehearing conference in this matter, the undersigned parties stipulate and agree as follows:

1. Associated Natural Gas Company ("ANG" or "the Company") shall be authorized to file revised natural gas schedules designed to increase its Missouri jurisdictional annual gas revenues by \$251,945 above test year rate revenues of \$31,571,325 exclusive of license, occupation, franchise, gross receipts or other similar fees or taxes. The increase represents a 0.798 percent increase above test year rate revenues. This increase was allocated to the various rate schedules through adjustments to the various customer charges and commodity charges. In addition to the allocation of the increase, the volumetric charges were split between gas cost and non-gas cost on the Company's tariffs.

2. Not included in the \$251,945 amount, but an integral part of this Stipulation and Agreement, are tariff provisions designed to provide annual revenue requirement recovery of \$624,291 relating to the gathering and transmission facilities of Arkansas Western Gas Company ("AWG") allocated to and utilized by the ANG Division. The portion of this revenue requirement allocated to sales

customers will be collected by ANG through a volumetric charge added to the Purchased Gas Adjustment Clause. The portion of this revenue requirement allocated to transportation customers will be collected through base tariff charges as follows: a) for the industrial interruptible (large) customer class, \$209,487 will be collected through an increase in the margin and through a separate volumetric rate; b) for all other transportation customer classes the revenues will be collected through a separate volumetric rate.

3. The rate schedules which are designed to and do in fact implement the revenue increase and other terms agreed to herein are attached hereto as Appendix A and made a part hereof for all purposes. The rate schedules, which bear an issue date of October 24, 1990 and an effective date of November 15, 1990, shall become effective for service rendered on and after November 15, 1990.

4. In addition, the parties agree to the following procedures:

A. The Company shall immediately initiate the conversion of its continuing property records to a mechanized system. The mechanization process shall be completed at the time of or before the Company files with the Commission for any change in depreciation rates which are presently prescribed by the Commission. ANG agrees to establish and maintain a listing of constructions/retirement units along with detailed accounting procedures to differentiate between capitalization and maintenance in accordance with the Uniform System of Accounts adopted by this

Commission for recordkeeping purposes. In addition, the Company will immediately initiate updating of the manual plant property ledgers. The Company agrees to continue using the presently prescribed depreciation rates until further changed by the Commission.

B. The Company agrees to maintain documentation that supports its allocation of intercompany expenses from Southwestern Energy Company ("SWE") (the parent corporation) to AWG and ANG and from AWG to ANG. This documentation shall show the detail of amounts recorded in the records of SWE and AWG, the basis for allocation (the percentages used and the derivation of these percentages) and the resulting amounts allocated. In addition, amounts allocated to ANG in the records of SWE and AWG will be reconciled to amounts recorded in the records of ANG on an annual basis. Amounts recorded in the records of ANG will be traceable in future rate case filings of ANG.

C. Staff shall not propose or encourage any other party to propose changes to the method of revenue recovery agreed to herein for gathering and transmission plant unless (i) the Company proposes a change to the stipulated method through a tariff filing, (ii) the Commission, after an evidentiary hearing thereon, orders a change to the stipulated method, (iii) there is a corporate reorganization at Arkansas Western Gas Company which materially affects the implementation of the stipulated method, or (iv) there

is a change in regulatory policy at the federal level which would materially affect the stipulated method.

D. The Company will file for approval a revised Sheet 16K, the Adjustment Summary Statement in the Purchased Gas Adjustment Clause, to coincide with the tariff provisions contained in this Stipulation and Agreement.

5. This stipulation and agreement reflects the following changes which were made in the tariff sheets of the Company:

A. The PGA Clause was modified to reflect (i) an increase in the amount of change which would cause a PGA filing to be made; (ii) a revision in the deferred accounting provisions to provide for compatibility between the way the system is operated and the way the costs are allocated; (iii) incorporation of the gathering and transmission costs of AWG for sales customers into the PGA computation process; (iv) provisions for the timely incorporation and passthrough of purchases made from non-traditional suppliers; and (v) a revision of the Company's refunding procedure.

B. All references to the terminated RCS Program were eliminated.

C. The charges for performing disconnect/reconnects were updated to more current cost levels.

D. A late payment provision for Commercial and Industrial Interruptible customers was incorporated.

E. Some definitions used in the Company's tariffs were modified to be consistent with the new gas safety rules.

F. A Residential Air Conditioning Rider was created.

6. The prefiled direct testimony and schedules of the following witnesses, the minimum filing requirements submitted by the Company, and the Staff accounting schedules shall be received into evidence without the necessity of their taking the stand:

A. The Company: William V. Martin, Stanley D. Green, David W. Eisinger, John A. Jeter, William K. Strand, Robert J. Zeles, Ronald J. Iverson, Ted F. Knight, Ricky A. Gunter, Charles V. Stevens, and John F. Brown.

B. The Staff: David Sommerer, Robert R. Leonberger, Bohdan Matisziw, David C. Parcell, Michael J. Ileo, Anne Ross, Eve Lissik, Jeanne Lloyd, Dale Johansen, Roy M. Boltz, Jr., Tim L. Tunks, Melvin T. Love, Martin Turner, Philip S. Lock, Mehdi Nazeri, James A. Gray, Cary Featherstone.

C. The Public Counsel: Philip B. Thompson, Russell W. Trippensee.

D. Noranda Aluminum: Donald Johnstone, David Hart.

7. Except as specifically provided above, this Stipulation and Agreement represents a negotiated dollar settlement for the sole purpose of disposing of this case, and none of the signatories 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, or in this proceeding should the Stipulation and Agreement not be accepted by the Commission in its entirety.

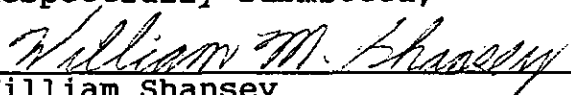
8. Except as otherwise specifically provided herein, the parties to this Stipulation and Agreement shall not be deemed to have approved or acquiesced to any ratemaking principle, valuation method, cost of service method, depreciation principle or method, or rate design proposal underlying or allegedly underlying this Stipulation and Agreement and the revised rate schedules attached as Appendix A.

9. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights to cross examine witnesses, and present oral arguments or written briefs pursuant to Section 536.080.1 RSMo 1986; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 1986; and their respective rights to judicial review as regarding the disposition of this matter pursuant to Section 386.510 RSMo 1986.

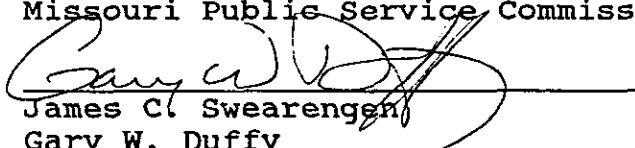
10. The agreements contained in this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation and Agreement or in the event the rate schedules and contracts agreed to herein do not become effective in accordance with the provisions contained herein, this Stipulation and Agreement shall

be void and no signatory shall be bound by any of the agreements or provisions hereof.


Respectfully submitted,


William Shansey
Assistant General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102


Attorney for the Staff of the
Missouri Public Service Commission


James C. Swearengen
Gary W. Duffy
HAWKINS, BRYDON, SWEARENGEN &
ENGLAND P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, Missouri 65102

Attorneys for Associated Natural
Gas Company


John B. Coffman
Assistant Public Counsel
Office of the Public Counsel
P.O. Box 7800
Jefferson City, Missouri 65102

Attorney for the Office of the
Public Counsel


Richard Brownlee III
HENDREN & ANDRAE
235 East High Street
Suite 210
Jefferson City, Missouri 65101

Attorneys for
Noranda Aluminum, Inc.

Dated: October 24, 1990

APPENDIX A
TO STIPULATION AND AGREEMENT

P.S.C. Mo. No. 6

10th Revised Sheet No. 1
4th Revised Sheet No. 2
4th Revised Sheet No. 3
4th Revised Sheet No. 3A
Original Sheet No. 3B
3rd Revised Sheet No. 4
Original Sheet No. 4A
3rd Revised Sheet No. 5
Original Sheet No. 5A
3rd Revised Sheet No. 6
Original Sheet No. 6A
4th Revised Sheet No. 7
2nd Revised Sheet No. 7A
1st Revised Sheet No. 7B
1st Revised Sheet No. 7C
1st Revised Sheet No. 7D
1st Revised Sheet No. 7E
4th Revised Sheet No. 8
3rd Revised Sheet No. 9
3rd Revised Sheet No. 10
Original Sheet No. 10A
3rd Revised Sheet No. 11
1st Revised Sheet No. 11A
1st Revised Sheet No. 11B
1st Revised Sheet No. 11C
Original Sheet No. 11D
Original Sheet No. 11E
4th Revised Sheet No. 12
Original Sheet No. 12A
3rd Revised Sheet No. 13
3rd Revised Sheet No. 14
Original Sheet No. 14A
3rd Revised Sheet No. 15
1st Revised Sheet No. 15A
1st Revised Sheet No. 15B
1st Revised Sheet No. 15C
Original Sheet No. 15D
Original Sheet No. 15E
2nd Revised Sheet No. 16
2nd Revised Sheet No. 16A
2nd Revised Sheet No. 16B
2nd Revised Sheet No. 16C
2nd Revised Sheet No. 16D
3rd Revised Sheet No. 16E
3rd Revised Sheet No. 16F
5th Revised Sheet No. 16G
3rd Revised Sheet No. 16H
54th Revised Sheet No. 16I
2nd Revised Sheet No. 16J
1st Revised Sheet No. 21
2nd Revised Sheet No. 22
1st Revised Sheet No. 39
2nd Revised Sheet No. 41
6th Revised Sheet No. RCS-1