

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Case No. GR-84-24

In the matter of Rich Hill-Hume Gas Co., Inc., for authority to file tariffs increasing rates for gas service provided to its customers in the Missouri service area of the Company.

APPEARANCES: W. R. England, III, Attorney at Law, Post Office Box 456, Jefferson City, Missouri 65102, for Rich Hill-Hume Gas Co., Inc.

Richard W. French, Assistant Public Counsel, Office of Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the public.

Paul H. Gardner, Assistant General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

REPORT AND ORDER

On August 12, 1983, Rich Hill-Hume Gas Co., Inc. (Company) filed with the Missouri Public Service Commission (Commission) revised tariffs designed to increase rates for natural gas service provided to Company's customers in its Missouri certificated area. The revised tariffs bore an effective date of September 11, 1983, and were designed to increase Company's gross annual revenues by approximately \$15,506, or approximately 3.3 percent over existing gas revenues. The Commission suspended the tariffs and subsequently set the case for hearing.

On December 16, 1983, the parties submitted a stipulation and agreement to the Commission for its approval.

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.

The Staff of the Commission, the Office of Public Counsel and the Company presented a stipulation and agreement on December 16, 1983. The stipulation and agreement presents a settlement of all revenue issues in this case. After presentation and discussion of the stipulation, the hearing was adjourned. The stipulation and agreement filed in this case as Joint Exhibit No. 1 is set out below.

STIPULATION AND AGREEMENT

On August 12, 1983, Rich Hill-Hume Gas Co., Inc. (hereinafter "Company") filed with the Missouri Public Service Commission (hereinafter "Commission") a revised tariff reflecting increased rates for gas service provided to customers in the Missouri service area of the Company. Company requested that the revised tariffs become effective on September 11, 1983. The revised tariffs were designed to produce an increase of \$15,506, or approximately 3.3% over existing gas revenues. Contemporaneous with the filing of said revised tariff, Company also filed certain accounting schedules in support of its proposed rate increase.

On September 8, 1983, the Commission suspended the revised tariffs for a period of 120 days beyond the requested effective date to January 9, 1984, and directed its Staff to perform an audit of the Company's operations, and upon conclusion of said audit, to file with the Commission its recommendation as to what further proceedings are warranted.

On November 16, 1983, Company and Staff filed with the Commission a Joint Motion requesting the Commission to schedule hearing dates in this matter. Pursuant to said Joint Motion, the Commission, on November 29, 1983, issued its Order Scheduling Hearing, which established a prehearing conference commencing on December 8, and continuing through December 9, 1983, as necessary.

On November 21, 1983, Company mailed to all of its customers notice of the fact that it had requested a rate increase from the Commission. In addition, the notice advised the customers that a hearing would be held on this request on December 8, 1983.

On December 8, 1983, representatives of Company, Staff and the Office of Public Counsel (hereinafter "Public Counsel") attended and participated in the prehearing conference, as

previously scheduled. As a result of said prehearing conference, the parties were able to agree on certain matters, including revenue deficiency, rate design, and PGA revision, all as more specifically stated hereinafter. It was further agreed that certain other matters relating to but not limited to accounting for collection and disbursement of surcharge monies pursuant to the Report and Order of the Commission in Case No. GR-81-332, the filing of reports pursuant to that order, the relationship between and payments to Commercial Pipeline Co. and Utility Consultants Inc., compliance by the Company with the provisions of the Commission Report and Order in Case No. GR-81-332, and review of the surcharge and customer billing practices (hereafter referred to as the non-revenue management issues) would be the subject of additional or supplemental testimony, and additional proceedings, as necessary, would be scheduled in this docket for purposes of addressing those matters.

Pursuant to the Commission's order, a prehearing conference was commenced on December 8, 1983, at which time representatives of Company, Staff and Public Counsel attended and participated in said prehearing conference. As a result of the prehearing conference, the undersigned parties stipulate and agree as follows:

1. That Company be authorized to file tariffs designed to increase Missouri jurisdictional gross annual revenues by Fifteen Thousand Five Hundred and Six Dollars (\$15,506), exclusive of applicable franchise and gross receipts taxes.
2. That the amount of the increase in gross annual revenues indicated in paragraph 1 above first be applied to increase the monthly customer charge from \$4.26 to \$4.32, with the remainder increasing the commodity charge by \$.2215 per Mcf.
3. That Company be authorized to file tariffs reflecting a change in the interest rate paid by the Company on customer deposits from 6% to 9% per annum, and the parties to this Stipulation and Agreement hereby request that the Commission grant a variance pursuant to 4 CSR 240-13.010(6), from the provisions of 4 CSR 240-13.030(4)(B) in order to effect this change. Further, Company is authorized to file tariffs reflecting the imposition of a one time 1-1/2% late payment charge (applicable to a specific monthly bill) applicable to all customers, as specifically set forth at pages 4 and 5 of the prepared direct testimony of Staff witness Wendell R. Hubbs.
4. That Company be authorized to file tariffs revising its purchased gas adjustment (PGA) clause as recommended by Staff witnesses Wendell R. Hubbs and Craig A. Jones in their prepared direct testimony. The revised PGA tariffs to be filed by Company shall reflect the language contained in "Attachment A" hereto. Incorporated in this filing is a change related to the initiation of the proposed PGA clause. This change amounts to a \$0.0277 per Mcf decrease and is not related to the stipulated revenue change in the general rate case. The dollar amount decrease effected by this change is \$1,876 on an annualized and normalized basis. This decrease is the result of the implementation of normalized

data used in the PGA computation. Also incorporated in this filing is the roll-in of the previous PGA factor into the proposed commodity charge.

5. That Company be authorized to file tariffs reflecting the segregation of the retail commodity charge in Tariff Sheet No. 1 into a purchased gas component and a non-gas cost component. Public Counsel does not concur in this tariff change nor in the calculation of said change and agrees to this paragraph solely for the purposes of settlement.

6. That the tariffs referenced in the above paragraphs shall become effective for service rendered on and after December 23, 1983.

7. That Company agrees that if it intends to require deposits from residential customers who are delinquent for five out of the previous twelve months in paying their bills, it will send a notice after the third such delinquency informing the customer that a deposit may be required after the fifth such delinquency, said notice being substantially in the form as shown in "Attachment B".

8. That Company agrees to file tariffs consistent with the recommendations contained in Staff witness Janet K. Hoerschgen's prepared testimony, and in substantially the same form as those tariffs attached to said prepared testimony, within 90 days of the effective date of the Report and Order approving this Stipulation and Agreement.

9. That Staff shall file with the Commission on or before January 6, 1984, additional or supplemental prepared testimony and exhibits relating to non-revenue management issues. That upon review of that additional or supplemental testimony, the parties will report to the Commission no later than January 31, 1984, whether additional proceedings will be required, including the filing of testimony and exhibits, prehearing conference and evidentiary hearings. That for purposes of the proceedings described above this docket should be held open by the Commission.

10. That this Stipulation and Agreement represents a negotiated dollar settlement, and none of the parties to this Stipulation and Agreement shall be prejudiced by or bound by the terms of this Stipulation and Agreement in any future proceeding, or in this proceeding, in the event the Commission does not approve this Stipulation and Agreement.

11. That 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 of service determination or cost allocation underlying any of the rates and tariffs provided for in this Stipulation and Agreement.

12. That the supporting schedules prepared by Drees Dunn and Company on behalf of Rich Hill-Hume Gas Co., Inc., and Staff witnesses Janet K. Hoerschgen, Wendell R. Hubbs, Craig A. Jones,

Bruce Schmidt, Phillip K. Williams, and Edward A. Tooley shall be received into evidence without the necessity of said witnesses taking the witness stand.

13. That the Staff shall have the right to submit to the Commission, in memorandum form, an explanation of its rationale for entering into this Stipulation and Agreement and to provide to the Commission whatever further explanation or information the Commission requests, and that such memorandum shall not become a part of the record of this proceeding and shall not bind or prejudice the Staff or any other party in any future proceeding or in this proceeding in the event the Commission does not approve this Stipulation and Agreement.

14. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their rights to cross-examine the witnesses named in paragraph 12 above with respect to their prepared direct testimony and exhibits.

15. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their rights pertaining to (1) the presentation of oral argument or filing of written briefs, pursuant to Section 536.080(1), RSMo. 1978; (2) the reading of the transcript by the Commission, pursuant to Section 536.080(2), RSMo. 1978; and (3) judicial review, pursuant to Section 386.510, RSMo. 1978.

16. That the agreements in this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, and in the event the tariffs agreed to herein do not become effective for service rendered in accordance with the provisions contained herein, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

Respectfully submitted,

/s/ Paul H. Gardner, by mg
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CO., INC.

Dated on this 14th day of December, 1983.

The attachments referred to in the stipulation and agreement as Attachments A and B are attached to this report and order as Attachments A and B.

Conclusions

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

Rich Hill-Hume Gas Co., Inc., is a public utility subject to the jurisdiction of this Commission pursuant to Chapters 386 and 393, R.S.Mo. 1978. The Company's revised tariffs, which are the subject matter of this proceeding, were suspended pursuant to authority vested in this Commission by Section 393.150, R.S.Mo. 1978.

For ratemaking purposes the Commission may accept a stipulation and agreement in settlement of any contested matters submitted by the parties. The stipulation represents a settlement of only the revenue issues in this case. The Commission finds that the unique circumstances of this case stemming from the stipulation approved in Re Rich Hill-Hume Gas Co., Inc., Case Nos. GR-81-331 and GR-81-332, Report and Order issued October 28, 1981, effective November 1, 1981,

merit the expedited treatment granted herein. Therefore, the Commission is of the opinion that the matters of agreement between the parties in this case are reasonable and proper and should be accepted. The Commission also, by this report and order, hereby accepts into evidence Exhibit Nos. 1 through 4.

Since the stipulation provides for further testimony and exhibits to be filed in relation to unsettled nonrevenue issues, the Commission is leaving the record open for further hearing should such become necessary.

It is, therefore,

ORDERED: 1. That the stipulation and agreement entered into between Rich Hill Hume Gas Co., Inc., the Office of Public Counsel and the Staff of the Missouri Public Service Commission, in Case No. GR-84-24, as set forth herein, is hereby accepted and adopted in disposition of all matters in this proceeding.

ORDERED: 2. That for the purpose of implementing the stipulation and agreement entered into in this proceeding, the revised tariffs filed by Rich Hill-Hume Gas Co., Inc., in Case No. GR-84-24 be, and the same are, hereby disapproved and the Company is authorized to file in lieu thereof tariffs consistent with the stipulation and agreement.

ORDERED: 3. That Rich Hill-Hume Gas Co., Inc., is also authorized to file tariffs revising its purchased gas adjustment (PGA) clause as set out in the stipulation and agreement.

ORDERED: 4. That Rich Hill Hume Gas Co., Inc., be, and hereby is, granted a variance pursuant to 4 CSR 240-13.010(6) from the provisions of 4 CSR 240-13.030(4)(B), and is authorized to file tariffs allowing for an interest rate of nine (9) percent per annum to be paid by the Company on customer deposits pursuant to the stipulation and agreement set out herein.

ORDERED: 5. That the tariffs to be filed for Commission approval pursuant to this report and order may be effective for service rendered on and after December 23, 1983.

ORDERED: 6. That this report and order shall become effective on the date hereof.

BY THE COMMISSION

Harvey G. Hubbs

Harvey G. Hubbs
Secretary

(S E A L)

Shapleigh, Chm., Musgrave, Mueller,
and Hendren, CC., Concur.

Dated at Jefferson City, Missouri,
on this 20th day of December, 1983.

PURCHASED GAS ADJUSTMENT CLAUSE

I. CALCULATION OF THE ADJUSTMENT

The charges which the Company makes for gas shall be subject to increases or decreases due to any increases or decreases in the cost of gas charged by the Company's supplier. For the purpose of the computations herein, the wholesale rate to be used in determining the base cost of gas shall be the rate in effect October 23, 1983. The wholesale rates for gas purchases from Commercial Pipeline Company, Inc., effective October 23, 1983, were \$4.2836 per Mcf for base purchases and \$4.3922 per Mcf for excess purchases.

In the event of increases or decreases in the wholesale rate set out above, charges for gas service contained in the Company's then effective base retail rate schedules on file with the Public Service Commission shall be increased or decreased, by the following formula:

$$1. \text{ Regular Purchased Gas Adjustment} = \frac{P}{V} - b$$

where:

Regular Purchased Gas Adjustment = The \$/Mcf change in the retail price as a result of increases or decreases in the wholesale rates, from those reflected in the base purchased gas cost, rounded to the nearest \$0.0001/Mcf.

P = The estimated total dollar cost of purchased gas calculated by summing the products of the most recent base and excess gas cost times the purchased volumes of 26,280 Mcf for the base usage, and 48,414 Mcf for the excess gas used.

Purchased gas cost used in the calculation of the estimated total dollar cost are those costs properly included in the FERC uniform chart of account 803.

V = Sales of 67,742 Mcf.

b = The base purchased gas cost per Mcf in the Company's base rate schedule. This figure will be \$4.8008 per Mcf.

PURCHASED GAS ADJUSTMENT CLAUSE (Continued)

2. The Purchased Gas Adjustment (PGA) so determined shall remain in effect until the next Purchased Gas Adjustment becomes effective hereunder, or until retail rates are otherwise changed by law or order of the Commission. Each Purchased Gas Adjustment filed hereunder shall cancel and supersede the previously effective Purchased Gas Adjustment and shall reflect the net Purchased Gas Adjustment to be effective thenceforth.
3. The amount of Purchased Gas Adjustment per Mcf shall be applied to bills rendered to the Company's customers receiving service affected by the change in the wholesale rate based on sales made on and after the effective date of the wholesale rate change (customers billings to be prorated between old and new rate); provided, however, that the adjustment shall not be made until the Purchased Gas Adjustment herein provided for shall have first been on file with the Commission for a period of ten days.
4. At least ten days before applying any Purchased Gas Adjustment, the Company shall file with the Commission an Adjustment Statement showing:
 - a) The computation of the revised purchased gas cost described in Paragraph No. 1 above.
 - b) A Revised Sheet No. 1.4 setting forth the net amount per Mcf, expressed to the nearest \$0.0001, to be used in computing the Purchased Gas Adjustment applicable to the customer's bills and the effective date of such adjustments.
 - c) The Company shall also file with the Commission copies of any FERC orders or other pertinent information applicable to the wholesale rate charged the Company by its natural gas supplier.

II. DEFERRED PURCHASED GAS COST ACCOUNT:

1. Effective upon approval by the Commission, an Interim Deferred Accounting procedure shall become effective whereby the Company separately accounts for undercollections and/or overcollections under its Purchased Gas Adjustment Clause. Only supplier increases and decreases (and their related recovery) occurring subsequent to the approval of this procedure are subject thereto. In the event an overcollection occurs, such overcollection shall be credited to an "Actual Cost Adjustment" account (ACA). In the event an undercollection occurs, it shall be debited to an "Actual Cost Adjustment" account (ACA). Any resulting overcollections or undercollections will be amortized through rates over a twelve month period beginning with meters read on and after July 12, 1984. This Deferred Accounting Procedure shall terminate at the end of the May, 1984, revenue month and all other Deferred Accounting Procedures of this tariff shall then apply.

PURCHASED GAS ADJUSTMENT CLAUSE (Continued)

2. The Company shall establish and maintain a Deferred Purchased Gas Cost Account which shall be credited with any over-recovery resulting from the operation of the Company's PGA procedure or debited for any under-recovery resulting from same. Such over or under-recovery shall be determined by a monthly comparison of the actual (as billed) cost of gas as shown on the books and records of the Company, and the cost recovery for the same month calculated by multiplying the volumes sold during said month by the sum of the currently effective cost components (the base purchased gas cost, the regular Purchased Gas Adjustment and the prior period "Actual Cost Adjustment" (ACA) factor as herein defined). For each twelve-month billing period ending with May revenue month, the differences of the comparisons described above including any balance or credit for the previous year shall be accumulated to produce a cumulative balance of over-recovered or under-recovered costs. An "Actual Cost Adjustment" shall be computed by dividing the cumulative balance of under-recoveries or over-recoveries by the estimated volume of total sales during the subsequent twelve-month period. This adjustment shall be rounded to the nearest \$0.0001 per Mcf and applied to bills over a twelve-month period beginning with meters read on or after July 12. The "Actual Cost Adjustments" shall remain in effect until superseded by subsequent "Actual Cost Adjustments" calculated according to this provision. The Company shall file any revised ACA on Sheet No. 1.4 in the same manner as all other Purchased Gas Adjustments.

PURCHASED GAS ADJUSTMENT CLAUSE (Continued)

Adjustment Statement

As provided in Sheets 1.1, 1.2, and 1.3 of this Purchased Gas Adjustment Clause, the following adjustments, in \$/Mcf, will be made to the customers currently effective rate to reflect the Company's cost of gas.

<u>Regular PGA</u>	<u>Actual Cost Adjustment</u>	<u>Net PGA</u>
-0-	-0-	-0-