

In the matter of the allocation of)
St. Joseph Light & Power Company's) CASE NO. EO-94-36
costs between its electric, gas and)
steam jurisdictions.)

Hearing
Examiner: Mark A. Grothoff

REPORT AND ORDER

On August 3, 1993, the Commission established this docket for the purpose of considering issues related to the allocation of costs between St. Joseph Light & Power Company's (SJLP) electric, gas and steam jurisdictions. On August 13, 1993, the Commission established a partial procedural schedule for this case and on February 18, 1994, the Commission established an additional schedule which culminated with the parties filing a status report. On March 23, 1994, the Commission granted intervention in this case to AG Processing, Inc. (AGP).

On June 17, 1994, the parties filed a Status Report and Agreement in which the parties agreed to a schedule concluding with the

filing of a hearing memorandum. On October 28, 1994, the parties filed a Hearing Memorandum and Agreement which delineated areas of consensus and remaining contested issues. The parties also presented a proposed schedule for the remainder of the case. On November 3, 1994, the Commission established a procedural schedule culminating with a hearing on the contested issues.

On January 13, 1995, the parties filed a Stipulation and Agreement and Motion to Suspend Procedural Schedules. On January 17, 1995, the Commission suspended the procedural schedule in this case indefinitely. On February 6, 1995, a hearing was held in which the Stipulation and Agreement was placed on the record for Commission consideration.

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:

SJLP is a regulated public utility primarily engaged in providing electric, natural gas and industrial steam service to customers in northwest Missouri, including the City of St. Joseph, Missouri. On August 3, 1993, the Commission established this docket for the purpose of considering issues related to the allocation of costs between SJLP's electric, gas and steam jurisdictions.

On January 13, 1995, the parties filed a Stipulation and Agreement (Stipulation) which proposed to settle all issues in this case. The Stipulation (Attachment A to this Report and Order and incorporated herein by reference) provides that SJLP will allocate costs between its electric, gas and steam jurisdictions according to the Allocations Procedures Manual (allocations manual) attached to the Stipulation as Schedule A until otherwise ordered by the Commission. The allocation

manual will not be attached to the Stipulation and incorporated herein by reference but it may be obtained upon request from the Commission's Records Department. The Stipulation states that the parties do not oppose the procedures used in the allocations manual but no party is precluded from proposing a different allocation method in future cases as long as the different method is addressed in direct testimony.

The Stipulation also provides for allocation shifts which would decrease SJLP's costs from its steam jurisdiction by \$550,000 or 7.5 percent. The allocation shift would increase SJLP's costs from its electric jurisdiction by \$500,000 or 0.71 percent and from its gas jurisdiction by \$50,000 or 0.89 percent. The Stipulation states that the cost shifts would result in no net change in SJLP's overall revenues and would bring each jurisdiction's revenue requirement closer to the revenue requirements which would result from application of the allocations manual.

In addition, the Stipulation provides that SJLP should implement the jurisdictional shifts by increasing gas rates on an equal percentage basis and reducing steam rates on an equal percentage basis. The Stipulation further provides that the \$500,000 increase in the electric jurisdiction should be implemented on the basis of a rate design for SJLP which is under development in Case No. EO-93-351. The parties agree that the rate changes resulting from this case and Case No. EO-93-351 should occur simultaneously in the interest of presenting SJLP's customers with only one rate change while preserving revenue neutrality to SJLP.

On February 6, 1995, a hearing was held in which the Stipulation was placed on the record for Commission consideration. The parties stated that the proposed cost allocations more accurately reflected the cost of service in SJLP's various jurisdictions. The parties also

stated that approval of the Stipulation is important not only in this case, but also to facilitate a settlement in Case No. EO-93-351.

The Commission has reviewed the Stipulation filed in this case and finds that its provisions are reasonable. The allocations manual will facilitate the development of consistent and accurate cost allocations for SJLP. Also, the cost allocations resulting from the proposed jurisdictional shifts will more accurately reflect SJLP's actual cost of service and should result in more accurate revenue requirements. Furthermore, the Commission agrees that any rate changes resulting from this case and Case No. EO-93-351 should be implemented simultaneously. Thus, the Commission finds that the Stipulation is just and reasonable, and should be approved.

Conclusions of Law

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

The Commission has jurisdiction over this matter pursuant to Sections 386 and 393, RSMo 1994. The standard for Commission approval of the Stipulation is whether it is just and reasonable.

The Commission may approve a stipulation of the issues in a case if it finds the stipulation is just and reasonable. The Commission has so found and thus concludes that the Stipulation in this case should be approved.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed in this case (Attachment A) is hereby approved and adopted.
2. That a copy of this Report and Order shall be filed in the official record of Case No. EO-93-351.

3. That this Report and Order shall become effective on the 13th day of March, 1995.

BY THE COMMISSION

David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., Perkins, and
Kincheloe, CC., Concur.
Crumpton, CC., Concur with
separate opinion to follow.
McClure, C., Dissents with separate
opinion and certify compliance with
the provisions of Section 536.080,
RSMo 1994.

Dated at Jefferson City, Missouri,
on this 10th day of February, 1995.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Phase II investigation)	
of the electric class cost of service for)	<u>Case No. EO-93-351</u>
St. Joseph Light & Power Company.)	

In the matter of the allocation of)	
St. Joseph Light & Power Company's costs)	<u>Case No. EO-94-36</u>
between its electric, gas and steam)	
jurisdictions.)	

DISSENTING OPINION OF COMMISSIONER KENNETH MCCLURE

I must respectfully dissent from the order of the majority approving the Stipulation and Agreement filed in these two cases. While I appreciate the efforts of the parties to reach agreement, I found the Stipulation to be confusing and, at times, contradictory. I am not certain at all what it is that the Commission is approving.

My specific concerns revolve around the tentative and conditional nature of the agreement and the resulting uncertainty as to what is actually being done. It was stated in the February 6 hearing that the Stipulation is not a final resolution of these two cases, but is, instead a preliminary step towards resolution. The Stipulation itself refers to the settlement in Case No. EO-94-36 as "tentative" (page 6). Second, the Commission is agreeing to a subsequent shift in rates without knowing what the shift is. Paragraph 7 on page 7 states "The exact amounts of the shift cannot be stated at this time."

Finally, and of most concern, the "agreement is conditioned upon the agreement of the parties to have a Stipulation and Agreement containing specimen tariffs" no later than March 31, 1995. (Paragraph 9, page 8). How can the Commission approve a Stipulation based upon a conditional agreement of the parties? The Commission is being asked to give its approval on the assumption that the parties will agree in the future.

Where are we in the event that specimen tariffs are not filed by March 31 and the parties cannot agree?

It is my recommendation that the Commission reject the Stipulation and Agreement and wait to see if the parties can agree. If the parties, in fact, reach agreement by March 31, then the Commission would have all the necessary information available to it before a decision is made. There is too much uncertainty to act otherwise.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Kenneth McClure".

Kenneth McClure
Commissioner

Dated at Jefferson City, Missouri,
on this 10th day of February, 1995.

FILED

JAN 13 1995

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

MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of Phase II investigation of)
the electric class cost of service for) Case No. EO-93-351
St. Joseph Light & Power Company.)

In the matter of the allocation of St Joseph)
Light & Power Company's costs between its) Case No. EO-94-36
electric, gas and steam jurisdictions.)

**STIPULATION AND AGREEMENT
AND MOTION TO SUSPEND PROCEDURAL SCHEDULES**

PROCEDURAL SCHEDULE.

1. The parties--St. Joseph Light & Power ("SJLP"), the staff ("the Staff") of the Missouri Public Service Commission ("the Commission"), the Office of the Public Counsel ("OPC") and AG Processing, Inc. ("AGP")--move the Commission to suspend the procedural schedules in Case Nos. EO-93-351 and EO-94-36 immediately, whether or not the Commission accepts the rest of this Stipulation and Agreement, to allow the parties time to pursue settlement negotiations. The next filing is scheduled to occur on January 13, 1995 in EO-94-36,¹ and on January 20, 1995, in EO-93-351.² The procedure proposed in this Stipulation and Agreement, if implemented, will render compliance with the current procedural schedules unnecessary and counterproductive. The parties would propose new procedural schedules if the Commission rejects this Stipulation and Agreement, or if

¹Order Establishing Procedural Schedule (August 16, 1994) (direct testimony).

²Notice (December 21, 1994) (direct testimony).

unforeseen developments prevent the parties from developing a mutually-agreeable electric rate design to present to the Commission as provided herein.

PROCEDURAL HISTORY.

2. **JOINT EVENTS.** Various parties have sought an order from the Missouri Public Service Commission ("the Commission") reallocating costs among SJLP's electric, gas and steam jurisdictions,³ and redesigning SJLP's electric rates,⁴ since as early as 1987. In dismissing Case No. EC-88-107, the Commission established a docket to investigate SJLP's electric class cost of service,⁵ or the so-called Phase I analysis.⁶ The Commission gave notice of the proceedings,⁷ and held a public hearing.⁸ In the meantime, the Staff filed testimony in Case No. ER-93-41 proposing new allocations between SJLP's jurisdictions,⁹ and proposed that steam customers receive notice.¹⁰ The Commission ordered that the

³See Case Nos. EC-88-107, GR-88-115, HR-88-116, Motion to Consolidate (November 13, 1987).

⁴Case No. EC-88-107, Motion for Initiation of Electric Class Cost of Service Study (November 23, 1987).

⁵Case No. EC-88-107, Order Dismissing Complaint and Establishing Dockets [ER-88-157 and EO-88-214 (electric class cost of service)] (December 4, 1987).

⁶Case No. EO-88-158, Comments of SJLP (defining "phases") (January 8, 1988).

⁷Case No. EO-88-158, Order (February 23, 1988).

⁸Case No. EO-88-158, Order and Notice of Local Hearing (October 16, 1991).

⁹Case No. ER-93-41, direct testimony of Staff witnesses Boltz, Frank, Imhoff, Weiss, and Solt (February 19, 1993).

¹⁰Case No. ER-93-41, Staff Motion to Notify Steam Customers (January 14, 1993).

results of the Phase I analysis be implemented in Case No. ER-93-41, and ordered the parties to address Phase II of SJLP's class cost of service study in that docket.¹¹ When Case No. ER-93-41 ended, the Commission proposed a new docket to address Phase II of SJLP's class cost of service study and allocations,¹² and established the current Case No. EO-93-351 for that purpose.¹³ The Commission eventually established a separate docket, Case No. EO-94-36, "for the purpose of considering issues related to the allocation of St. Joseph Light & Power Company's costs between its electric, gas and steam jurisdictions."¹⁴

3. EVENTS IN CASE NO. EO-93-351.

This case required the gathering and analysis of a substantial amount of data. Although it involved unresolved issues of allocations between electric customer classes, its main focus has been on rate design within classes.

On June 25, 1993 the Commission notified the parties who had participated in Case No. ER-93-41 of the creation of Case No. EO-93-351 "for the purpose of conducting Phase II of St. Joseph Light & Power Company's class cost of service study."¹⁵

¹¹Case No. EO-88-158, Report and Order (December 11, 1992).

¹²Case Nos. ER-93-41, EC-93-252 (consolidated), Report and Order (June 25, 1993).

¹³Case No. EO-93-351, Order Establishing Docket, Setting Intervention Date and Setting Procedural Schedule Date (July 17, 1993).

¹⁴Case No. EO-94-36, Order Establishing Docket and Setting Intervention Date (August 13, 1993).

¹⁵Case Nos. ER-93-41 and EC-93-252 (consolidated), Report and Order, p. 37 (ordered paragraph 7).

On July 16, 1993, the Commission set an intervention date of August 16, 1993.¹⁶

On August 3, 1993, the Commission established a separate docket to consider allocations issues.¹⁷

On September 8, 1993,¹⁸ and again on October 4, 1993,¹⁹ the parties convened a technical conference.

On November 4, 1993, the parties filed a memorandum setting forth the issues to be considered, test year and procedural schedule.

On November 9, 1993, the Commission granted intervenor status to AGP, the only applicant,²⁰ and set a procedural schedule. The parties have diligently produced and analyzed data as outlined in the procedural schedule, and have held several additional technical conferences.

On October 7, 1994, the parties exchanged class cost of service studies.²¹

¹⁶Case No. EO-93-351, Order Establishing Docket, Setting Intervention Date and Setting Procedural Schedule Date (July 16, 1993).

¹⁷Order Setting Technical Conference and Establishing Separate Docket.

¹⁸Notice (August 10, 1993).

¹⁹Order Setting Technical Conference and Establishing Separate Docket (August 3, 1993).

²⁰Order Granting Intervention, Setting Test Year, and Setting Procedural Schedule.

²¹Order Granting Extension of Procedural Schedule (September 23, 1994).

On or about December 16, 1994, the parties exchanged rate design studies.²² Since that date, the parties have pursued a negotiated settlement through numerous telephone conferences.

On January 9, 1995, the Commission convened a prehearing conference in which all parties are participating. The conference revealed substantial areas of agreement between the parties. However, the complexity of developing an electric rate design which substantially revises SJLP's current rate design requires additional time in which to develop mutually-agreeable rate levels and tariff language. Rate design is complicated; changes in one rate can lead customers to shift classes, which prompts other rate changes, and other shifts. As a result, an accurate calculation of a rate design's effects is time-consuming to generate. The multiple calculations required but not yet completed have made it impossible for the parties to present the Commission with a final settlement of the Phase II issues at this time.

4. EVENTS IN CASE NO. EO-94-36.

The Commission notified the parties who had participated in Case No. ER-93-41 of the creation of Case No. EO-94-36. An intervention deadline was established at September 13, 1993.

On March 3, 1994, the Commission granted intervention to AGP, the only applicant.

The parties have diligently produced and analyzed data, worked on the development of an allocations procedure manual, and discussed the issues in this proceeding at length.

²²Notice (December 8, 1994).

On October 28, 1994, the parties filed a "Hearing Memorandum and Agreement" to which was attached an allocation procedure manual which the parties agreed was reasonable and appropriate, except with regard to seven listed issues. It also set out a procedural schedule for resolving the remaining issues.

On November 28, 1994, the parties filed a reconciliation which placed a monetary value on each party's position in the case. Subsequently the parties have revised these numbers substantially to correct for previously-undetected errors.

The parties have negotiated a tentative settlement of this case, as set forth in ¶¶ 5 and 6, below.

ALLOCATIONS.

5. **ALLOCATIONS PROCEDURE MANUAL:** An allocations manual would facilitate consistent cost allocations. For settlement purposes, the parties agree that SJLP will allocate costs between its electric, gas and steam jurisdictions according to the Allocations Procedures manual (attached as Schedule A) until the Commission orders SJLP to use a different allocation method. For settlement purposes, the parties do not oppose the allocations procedures used in the revised Allocations Procedures manual. This paragraph does not preclude any party from proposing a different allocation method in future cases, so long as the party shall address any different allocation method in its direct testimony.

6. **CASE NO. EO-94-36's JURISDICTIONAL REVENUE SHIFTS:** The parties agree to propose a simultaneous resolution of Case Nos. EO-93-351 and EO-94-36 that will

include jurisdictional revenue shifts designed to decrease SJLP's revenues from its steam jurisdiction by \$550,000 (or -7.50%), and increase its revenues from its electric jurisdiction by \$500,000 (or 0.71%), and from its gas jurisdiction by \$50,000 (or 0.89%). These revenue shifts would result from the resolution of Case No. EO-94-36, would result in no net increase or decrease in SJLP's revenues, and bring each jurisdiction's revenue requirement closer to the revenue requirements that would result from application of the Allocations Procedure manual.

IMPLEMENTATION.

7. **RATES:** The parties agree that SJLP should implement the jurisdictional revenue shifts from Case No. EO-94-36, discussed at ¶ 6, by increasing gas rates on an equal percentage basis and reducing steam rates on an equal-percentage basis. The parties agree that the \$500,000 increase in electric rates should be implemented on the basis of a rate design which is under development in Case No. EO-93-351, and which the parties will submit in a stipulation and agreement containing specimen tariffs for SJLP's gas, electric and steam jurisdictions no later than March 31, 1995. In addition to the shifts to the electric jurisdiction as a result of EO-94-36, there will be shifts between electric classes as a result of EO-93-351; the aggregate impact to an individual customer class may exceed the impact of the shift from EO-94-36 alone. The exact amount of the shifts cannot be stated at this time. The parties agree that the rate changes from the two cases should occur simultaneously, in the interest of presenting SJLP's customers with only one rate change while preserving revenue neutrality to SJLP.

8. PUBLIC HEARING: Considering this proceeding's long history and prior opportunities for participation, SJLP respectfully suggests that no further public notice is necessary. While AGP has no objection to a public hearing (other than for the delay it might entail to implementing new tariffs), AGP would anticipate requesting that it be excused from attendance, based on its experience with prior public hearings in SJLP cases. If after receiving the parties' proposed tariffs, discussed at ¶ 7, the Commission concludes that a public hearing would be appropriate, SJLP, the Staff and OPC believe that prompt, adequate public notice could be provided in the same manner that notice was provided in Re GTE, Case No. TR-89-182 (REMAND), etc. Specifically, the Commission could direct:

A. the Commission's Information Officer to send notice of the hearing to the Publisher of each newspaper located in SJLP's service area, as listed in the Newspaper Directory of the current Official Manual of the State of Missouri, and to the members of the Missouri General Assembly representing customers in SJLP's service area, and

B. the Commission's Records Department to serve a copy of any order establishing a public hearing on the County Commission of each county and the Mayor of each municipality within SJLP's service area.

CONDITIONS.

9. This agreement is conditioned upon the agreement of the parties to have a Stipulation and Agreement containing specimen tariffs incorporating the details of the settlement filed with the Commission no later than March 31, 1995. If there is no such filing, the parties reserve the right to request a hearing on the issues in these cases.

10. Except as specified herein, no party shall be bound by any of the agreements or provisions hereof in any future proceeding, or in any proceeding currently pending under a separate docket.

11. The provisions of this Stipulation and Agreement have resulted from negotiations among the signatories and are interdependent. If the Commission does not approve this Stipulation and Agreement in total, it shall be void and no party shall be bound by any of the agreements or provisions hereof.

12. At the Commission's request, the Staff may give the Commission a written explanation of its rationale for entering into this Stipulation and Agreement, if the Staff also gives a copy of its explanation to each signatory to this Stipulation and Agreement. In that event, each signatory may give the Commission a responsive written explanation within five (5) business days of receipt of the Staff's explanation, if the responding signatory contemporaneously gives a copy of such responsive written explanation to all other signatories. Each signatory agrees to keep the Staff's and other signatory's explanations confidential, and to treat them as privileged to the same extent as settlement negotiations under the Commission's rules. No signatory acquiesces in or adopts the explanations of another signatory. Such explanations shall not become a part of this proceedings' record, nor bind or prejudice any signatory in any proceeding.

13. The Staff may provide whatever oral explanation the Commission requests at any agenda meeting, if the Commission has given notice that it may consider this Stipulation and Agreement at the meeting. The Staff shall inform the other signatories as soon as practicable when the Staff learns that the Commission will request such explanation. The


Staff's explanation in agenda shall be subject to public disclosure, except to the extent it pertains to matters protected from disclosure.

THEREFORE the parties request that the Commission issue orders that--

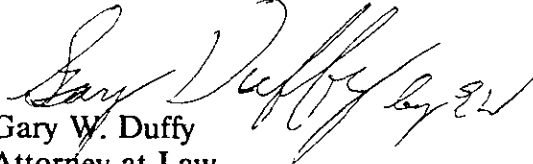
1. suspend the procedural schedules in Case Nos. EO-93-351 and EO-94-36 immediately, and
2. approve this Stipulation and Agreement as soon as practicable.

Respectfully submitted,


AG PROCESSING, INC.


William M. Barwick
Attorney at Law
240 East High Street
Suite 202
Jefferson City, Missouri 65101
314-634-4737

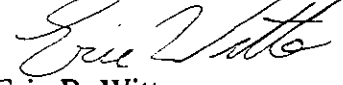
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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the allocation of St.)	
Joseph Light & Power Company's costs)	<u>CASE NO. EO-94-36</u>
between its electric, gas and steam)	
jurisdictions.)	

CONCURRING OPINION OF COMMISSIONER HAROLD CRUMPTON

I concur in the opinion of the majority approving the Stipulation and Agreement filed in these two cases. A cursory review of the record on this matter could lead to confusion. On closer review, one sees that the record supports approval of the re-allocation of costs among the electric, gas and steam jurisdiction with no net change in St. Joseph Light & Power Company's (SJLP) overall revenues. This allocation issue is an old issue which has been before the Commission since the late 1980's. By approving this Stipulation and Agreement, the Commission has settled an issue that has been around longer than most of the Commissioners.

AG Processing has made a strong case by pointing out that the misallocation was so onerous that it has purchased equipment that makes it possible to not only bypass SJLP's steam network, and to bypass its electric network, but also to become a net seller of electricity and steam to SJLP's other customers. (This could be very detrimental to the remaining ratepayers).

The parties have all agreed to this re-allocation and testified that they think it is warranted. If it is warranted today, then it was warranted eight (8) years ago when AG Processing first brought this to our attention. By this act, we are eliminating a case of State sanctioned subsidization and ushering in a more appropriate regulatory environment where the total welfare of the State is recognized. The remaining rate design issue is not yet settled. We have an obligation to the people of

Missouri to not delay the allocations decision, while reserving the rate design issue in decision Case No. EO-93-351.

RESPECTFULLY SUBMITTED

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

HAROLD CRUMPTON
Commissioner

(S E A L)

Dated at Jefferson City, Missouri,
on this 15th day of February, 1995.