



State of Missouri

John Ashcroft, Governor

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Martha S. Hogerty
Public Counsel

December 21, 1989

Mr. Harvey G. Hubbs, Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Re: Missouri Public Service
Case No. GO-90-115

Dear Mr. Hubbs:

Enclosed for filing in the above-referenced case please find the original and fourteen copies of Response of the Office of the Public Counsel in Opposition to Application. Please "file" stamp the extra enclosed copy and return it to this office. I have on this date mailed or hand-delivered copies to all counsel of record.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Lewis R. Mills, Jr.", is written over the typed name.

Lewis R. Mills, Jr.
Assistant Public Counsel

LRM:kl
Enclosures

cc: Counsel of record

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PUBLIC SERVICE COMMISSION

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

In the matter of the application)
of Missouri Public Service for) Case No. GO-90-115
issuance of an accounting order)
relating to its gas operations.)

**RESPONSE OF THE OFFICE OF THE PUBLIC
COUNSEL IN OPPOSITION TO APPLICATION**

Comes now the Office of the Public Counsel (Public Counsel) and for its response in opposition to the application of Missouri Public Service for the issuance of an accounting authority order states as follows:

1. On or about December 6, 1989 Missouri Public Service (MPS) filed an application seeking permission from the Missouri Public Service Commission (Commission) to defer and record expenditures and costs incurred in connection with its gas safety program in Account No. 186 of the Uniform System of Accounts. Specifically, MPS requested authority to defer and book to Account No. 186:

the costs incurred to conduct accelerated leak surveys, the additional operation and maintenance costs which MPS has or will incur, and depreciation expenses, property taxes and carrying costs . . ." (Application, p. 3).

2. Rule 4 CSR 240-40.040 approves and prescribes the Uniform System of Accounts for the use of electrical corporations. This rule states that: "every such gas corporation is required to keep all accounts in conformity therewith."

3. Account No. 186 is titled, in the Uniform System of Accounts, "Miscellaneous Deferred Debits". The definition of this account is as follows:

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2.

A. This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, losses on disposition of property, net of income taxes, deferred by authorization of the Commission, and unusual or extraordinary expenses, not included in other accounts, which are in process of amortization and items the proper final disposition of which is uncertain.

B. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit.

MPS does not justify inclusion of these costs in this account by stating that they are extraordinary or for work in progress, but rather that they are "significant and material in terms of MPS's overall gas operations". (Application, p. 4). Account No. 186 is not set up for significant and material expenses, but rather for extraordinary expenses. Simply because an expense is large in relation to a company's operation does not justify a deviation from normal accounting procedure. It is not the amount but the nature of the expense which characterizes it as extraordinary and justifies its inclusion in Account No. 186. Costs such as depreciation expenses, property taxes and carrying costs simply do not belong in Account No. 186. Public Counsel concedes that actual expenses incurred in connection with MPS's leak surveys may qualify for Account No. 186, but capital costs associated with pipeline replacements definitely do not.

4. If MPS is truly faced with an emergency cash problem because of these expenditures, the appropriate relief would be interim rate relief. In In re Missouri Public Service Company, Case No. 18,502, 20 Mo. P.S.C. (N.S.) 244 (1975), the Commission stated its standard for interim rate relief as follows:

[I]t is incumbent upon the Company to demonstrate conclusively that an emergency does exist. The Company must show that (1) it needs additional funds immediately, (2) that the need cannot be postponed, and (3) that no other alternatives exist to meet the need but rate relief.

MPS has not demonstrated any of these three factors.

5. What MPS proposes to do in this case is to rewrite the Commission's accounting procedures for treating AFUDC. MPS requests that AFUDC treatment be continued even after plant items have been put in service. MPS alleges that this is necessary because of the large investment involved. However, no showing of the actual amounts involved relative to MPS's total rate base has been demonstrated. Furthermore, allowing MPS this relief would open the door to allow other companies to seek similar relief any time they incur large investments relative to their total rate base.

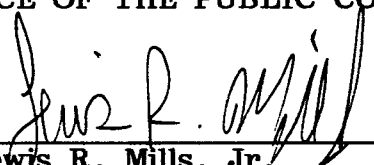
Public Counsel asserts that MPS has not proven that such treatment is necessary or even desirable in this case. Account No. 186 is for unusual expenses, not capital costs and expenses incurred in conjunction with capital costs.

WHEREFORE, Public Counsel respectfully requests that the Commission deny MPS's application for an accounting authority order.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By


Lewis R. Mills, Jr.
Assistant Public Counsel
P.O. Box 7800
Jefferson City, Missouri 65102
314/751-4857

I hereby certify that a copy of the foregoing has been mailed or hand-delivered to all counsel of record on this 21st day of December, 1989.

