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October 23, 2000

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Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Case No. GR-99-435**

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of **STAFF'S RESPONSE**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Thomas R. Schwarz, Jr.  
Deputy General Counsel  
(573) 751-5239  
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TRS:sw  
Enclosure  
cc: Counsel of Record

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

**FILED<sup>2</sup>**

OCT 23 2000

Missouri Public  
Service Commission

In the Matter of Missouri Public Service's )  
Purchased Gas Adjustment Factors to be )  
Reviewed in its 1998-1999 Actual Cost )  
Adjustment. )

Case No. GR-99-435

**STAFF'S RESPONSE**

**COMES NOW** the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and for its Response in the above-captioned case, respectfully states as follows:

1. On April 2, 1999, Missouri Public Service ("MPS" or "Company") filed with the Commission proposed tariff sheets for each of its three Missouri systems, carrying an effective date of April 16, 1999. The tariff sheet was filed to reflect scheduled changes in MPS's Purchased Gas Adjustment ("PGA") factors, as a result of changes in the cost of natural gas for the upcoming summer season. On April 14, 1999, the Staff filed a recommendation of approval of the rates on an interim basis, subject to refund, and the Commission so ordered on April 15, 1999.

2. On October 26, 1999, the Company filed with the Commission a tariff sheet with a proposed effective date of November 9, 1999. The tariff sheet was filed to reflect scheduled changes in MPS's PGA factors as a result of changes in the cost of natural gas for the winter season to follow. In addition, the tariff filing reflected changes in the Actual Cost Adjustment ("ACA"), Transition Cost ("TC"), and Refund factors for each of the Company's three systems. On November 8, 1999, the Staff filed a recommendation for approval of the tariff sheet on an interim basis, subject to refund, and on that same date, the Commission so ordered. The

Commission further ordered that Staff's Procurement Analysis Department be given the time necessary to conduct its audit of this ACA period and to submit its results and recommendations regarding this ACA filing on or before September 1, 2000.

3. On September 1, 2000, the Staff filed its Recommendation in this case, requesting, in pertinent part, that the Commission issue an Order requiring MPS: a) to adjust the ACA account balances for each of its three systems in the Company's 1998-1999 ACA filing; and b) to comply with a number of recommendations related to system reliability

4. On October 5, 2000, MPS filed its Response to Staff Recommendation, wherein the Company expressed reservations concerning Staff's recommendation as to the appropriate accounting methodology for pipeline imbalances. MPS also took issue with Staff Recommendation 2-c, requiring that MPS "estimate the reserve margin for the 1999/2000 ACA period and for three to five years beyond that." The Company suggested that two years would be a more reasonable time frame.


5. On October 10, 2000, the Commission issued an Order requiring the Staff to respond to the Company's October 5th Response no later than October 20, 2000.

6. The Staff has discussed the matter further with the Company, and reached a partial resolution of the case, but some issues bear further discussion. The Staff proposes that the Commission keep this case open pending resolution of the remaining issues, and pending the investigation into Utilicorp's Gas Service Department sought by Staff in Case No. GR-2001-429. Staff's detailed recommendation is attached as Appendix A.

**WHEREFORE**, Staff respectfully requests that the Commission issue an Order in accordance with the Staff's Memorandum attached hereto.

Respectfully submitted,

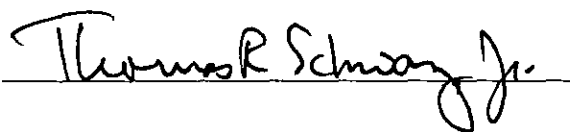
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### **Certificate of Service**

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 23rd day of October 2000.



## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. GR-99-435, Missouri Public Service

FROM: *PL* *dfg* *DS*  
Phil Lock, Lesa Jenkins, and Dave Sommerer - Procurement Analysis Department

*David Sommerer* 10-23-00 *Thomas R. Schwany* 10/23/00  
Project Coordinator/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation Update in Missouri Public Service Company's 1998-1999 Actual Cost Adjustment Filing

DATE: October 23, 2000

The Procurement Analysis Department (Staff) has reviewed the 1998-99 Actual Cost Adjustment (ACA) filing of Missouri Public Service (MPS or Company), a division of UtiliCorp United, Inc. This filing was made on October 26, 1999, and was docketed as Case No. GR-99-435. Staff's ACA recommendation was filed on September 1, 2000. The Company filed a response to Staff's ACA recommendation on October 5, 2000 that included concerns about Staff's proposed methodology of pricing imbalances and concerns of a three to five year requirement for reserve margin information. Staff will address those concerns in the following updated recommendation.

Staff recommends that this docket remain open pending an investigation into various issues related to Utilicorp United Incorporated Gas Supply Services Department.

### IMBALANCES

A change in the accounting methodology for pipeline imbalances occurred in April 1999. The volume imbalances are now recorded as monthly transactions on the Company's books (tracker) and are priced out monthly. This change affects the Northern, Southern, and Eastern Systems.

Staff does not agree with Company's methodology for pricing imbalances. Company has responded to Staff's recommendation and agreed to modify the proposed methodology for pricing imbalances. The Company reserved the right to dispute the methodology proposed by Staff if it is not consistent with Company's understanding of the proposal. Staff is discussing alternative methods of pricing imbalances with the Company and therefore has not yet finalized an adjustment.

### PEPL TRANSPORTATION COST

Company agrees with the Staff's proposed disallowance of \$13,500 of Panhandle Eastern Pipeline Company (PEPL) demand costs for the Northern System.

### RELIABILITY ANALYSIS

At this time, Staff accepts the MPS proposal to submit reserve margin information for the 1999-2000 ACA period and for two ACA periods beyond that, rather than the 3 to 5 years previously recommended. However, Staff may request this information in future ACA periods to gain information about the Company's planning process for changes in capacity.

Description	Beginning ACA Balance Per Filing	Staff Adjustments	Ending ACA Balance Per Filing
<b>Southern System:</b>			
Firm ACA	\$(216,359)		\$(216,359)
Interruptible ACA	\$(9,563)		\$(9,563)
Take-or-Pay	\$0		\$0
Transition Cost	\$0		\$0
DCCB	\$935		\$935
Refund	\$(590,822)		\$(590,822)
<b>Northern System:</b>			
Firm ACA	\$138,684	\$(13,500)	\$125,184
Interruptible ACA	\$104,100		\$104,100
Take-or-Pay	\$0		\$0
Transition Cost	\$0		\$0
DCCB	\$0		\$0
Refund	\$(7,644)		\$(7,644)
<b>Eastern System:</b>			
Firm ACA	\$663,578		\$663,578
DCCB	\$11,491		\$11,491

### RECOMMENDATIONS

The Staff recommends that the Commission issue an order requiring:

1. Staff's \$13,500 disallowance of PEPL demand costs should be reflected in the Firm ACA balance on the Northern System (per above table) but no other current adjustments for Company imbalances pending resolution of the pricing methodology for imbalances;
2. Company to provide reserve margin information for the 1999-2000 ACA period and for the two ACA periods beyond that;

MO PSC Case No. GR-99-435,  
Official Case File Memorandum,  
October 23, 2000, Page 3 of 3

3. That this docket remain open pending an investigation into various issues related to Utilicorp United Incorporated Gas Supply Services Department which Staff has sought in Case No. GO-2001-249.

**Service List for  
Case No. GR-99-435  
Revised: October 23, 2000 (SW)**

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