

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Case No. GR-81-222

In the matter of MISSOURI POWER & LIGHT COMPANY of Jefferson City, Missouri, for authority to file tariffs increasing rates for gas service provided to customers in the Missouri service area of the company.

Case No. ER-81-304

In the matter of MISSOURI POWER & LIGHT COMPANY of Jefferson City, Missouri, for authority to file tariffs increasing rates for electric service provided to customers in the Missouri service area of the company.

APPEARANCES: Gary W. Duffy, General Attorney, Missouri Power & Light Company, 101 Madison Street, Jefferson City, Missouri 65101, for the Missouri Power & Light Company.

James M. Fischer and Richard M. French, Attorneys, 1014 Northeast Drive, Jefferson City, Missouri 65101, for the Office of the Public Counsel and the public.

Holly E. Peck and Eric K. Banks, Assistants 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 January 2, 1981, Missouri Power & Light Company of Jefferson City, Missouri, submitted revised tariffs reflecting increased rates for gas service provided to customers in the Missouri service area of the Company. On March 31, 1981, Missouri Power & Light Company of Jefferson City, Missouri, submitted revised tariffs reflecting increased rates for electric service provided to customers in the Missouri service area of the Company. The tariffs were suspended and docketed as Cases GR-81-222 and ER-81-304. In the Commission's report and order dated July 7,

1981, in Case Nos. GR-81-355 and ER-81-356 pertaining to Missouri Power & Light Company's interim rate request, the Commission approved a stipulation entered into between the Company and the Commission Staff. Paragraphs 4 and 5 of the stipulation called for the Company to file motions to consolidate procedural dates, hearing dates and the "operation of law" date for its permanent natural gas rate request (GR-81-222) with the dates established for its permanent electric rate request (ER-81-304). The motions were filed and the Commission consolidated the cases by its order of August 11, 1981.

The prehearing conference was set for the week of November 2 through 6, with the hearing set for the week of November 16 through 20, 1981. The Company and the Staff of the Missouri Public Service Commission entered into a stipulation and agreement as a result of negotiations at the prehearing conference. The Office of Public Counsel appeared at the prehearing conference but did not enter into the stipulation and agreement. On November 16, 1981, the hearing commenced at which the Company and Staff presented the stipulation and agreement to the Commission. The Office of Public Counsel presented its case in opposition to the stipulation and agreement. At the close of evidence presentation the parties were asked if they were prepared to engage in oral argument. The Company and Staff indicated that they were. At that time Public Counsel moved that briefs be filed in this matter in lieu of oral arguments. Public Counsel's motion was denied and oral argument was set for November 18, 1981. On the 18th of November, 1981, the parties presented their oral arguments and the hearing was adjourned.

By its order of December 1, 1981, the Commission in this matter rejected the stipulation and agreement and set the case for hearing. On December 2, 1981, at the beginning of the hearing in the matter of Missouri Edison Company of Louisiana, Missouri, Case Nos. GR-81-277 and ER-81-276, the Company and Staff requested the Commission to reopen the record in the instant case for the presentation of a new stipulation and agreement. The Commission took the request under advisement.

The Commission later that day reopened the record in the instant case and granted the Company and Staff's request. A new stipulation was presented. Public Counsel was not a party to the second stipulation. After presentation and questions from the bench the hearing was adjourned for consideration of the new stipulation and agreement.

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 new stipulation and agreement is identical to the original stipulation and agreement, except that it adopts Public Counsel's proposed rate design. The new stipulation and agreement requests permission for the Company to file permanent revised tariffs to increase Missouri jurisdictional gross annual electric revenues by \$6,727,931 and the Missouri jurisdictional gross annual gas revenues by \$1,139,489, exclusive of applicable gross receipts, sales and local taxes. The entire stipulation and agreement is attached hereto as Appendix A. Public Counsel stated that with the new stipulation and agreement he no longer opposed the rate design therein, but still opposed the stipulation on the three remaining points orally argued on November 18, 1981, that were not satisfied by the stipulation and agreement. Those points were: the expensing of Gas Research Institute payments, the rate of return, and the weather adjustment.

Public Counsel argues that Gas Research Institute payments should be amortized over a 20-year period rather than expensing the payments in the years made. The Commission notes that the Federal Energy Regulatory Commission requires Missouri Power & Light Company to make these payments. Consequently, the Commission considers these payments an expense of doing business. The expense is recurring and not abnormal. To amortize the payments would be to make an exception to generally

accepted accounting principles as set forth in Financial Accounting Standards Board Statement No. 2 and Accounting Principle Board Opinion No. 2 of the American Institute of Certified Public Accountants. The Commission has taken this position in the past and finds no evidence in the record to justify a change. See: GR-80-224, ER-81-42.

Public Counsel argues that the rate of return stipulated to by the Company and Staff is too high. Public Counsel attacks the method by which the Staff arrived at its proposed rate of return. No alternative formula or method for determining rate of return was presented by the Public Counsel, and no expert testimony was presented by Public Counsel showing any shortcoming in the method used by the Staff. Public Counsel relies on its attempted impeachment of the Staff's witness. The Commission does not find Public Counsel's presentation on this matter persuasive. The Commission finds the formulas and methods used by the Staff are reasonable and competent.

The weather adjustment incorporated into the stipulation and agreement by the Company and Staff was disputed by Public Counsel. Public Counsel by its expert witness contends that a ten-year moving average is superior in predictive powers as opposed to Staff or Company's methods. The Company used a 30-year average while Staff averaged all available weather data (77 years). The Commission stated in Case No. GR-81-155, Re: The Gas Service Company, that "the purpose of a weather adjustment is to normalize the test year by adjusting revenues and expenses to reflect operations under normal weather conditions." Public Counsel's witness asserts that predictive characteristics of his ten-year moving average are such that it should be used as the normal variable for adjustments to the test year. The Commission is of the opinion that such a reason is not persuasive. The Commission is not asking the parties to design rates pursuant to weather predictions.

Furthermore, Public Counsel's witness asserts that a normal based on the combined data of the Columbia Regional and Municipal Airports, as done by the Staff and Company in this case, should be rejected. The Commission finds Public Counsel's position, that the data from the present Columbia Weather Station should be adjusted to reflect what the weather data would have been if it had occurred at the previous location, to be an unnecessary exercise in statistical adjustments. The fact that the Weather Station was moved in 1969 to a point some ten to fifteen miles south by southeast of the previous location is irrelevant. A fifteen mile move closer to the center of a multicounty service area does not justify a statistical adjustment that would create the possibility of additional error. As long as data is collected in a reasonably close proximity to the service area on a consistent basis, there is no reason for adjustment. Basing a company's revenue requirement on weather data collected at the Columbia Regional Airport, adjusted to be what the data would have been had it been collected at the Columbia Municipal Airport, has no inherent benefits over using the actual data collected at the Regional Airport. The Commission is of the opinion that the data used in compiling the revenue requirement for the stipulation is proper.

The proceedings in this matter resulted in a stipulation and agreement that was rejected, later amended, and presented again to the Commission with the opportunity to accept or reject it once again. The Commission, after considering the evidence offered, and the arguments of counsel, is of the opinion that the positions of the Company and Staff contained in the new proposed stipulation and agreement represent the fairest and most equitable determination of the issues in the instant case.

Conclusions

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

The Company is a public utility subject to the jurisdiction of this Commission pursuant to Chapters 386 and 393, R.S.Mo. 1978.

For ratemaking purposes, the Commission may accept a stipulation settlement on any matter submitted by the parties. The Commission is of the opinion that the positions presented by the Company and Staff in the new stipulation and agreement in this matter are reasonable and proper and should be adopted.

All objections not overruled at the time made are hereby overruled. Also, Exhibit 8 is hereby received into evidence.


It is, therefore,

ORDERED: 1. That the stipulation and agreement received in this matter as Exhibit 1, and attached hereto as Appendix A, be, and hereby is, adopted in disposition of all matters in this case.

ORDERED: 2. That the Missouri Power & Light Company file tariffs reflecting rates as agreed upon in the stipulation and agreement.

ORDERED: 3. That this report and order shall become effective on the 10th day of December, 1981.

BY THE COMMISSION


Harvey G. Hubbs
Secretary

(S E A L)

McCartney, Dority, Shapleigh and
Musgrave, CC., Concur and certify
compliance with the provisions of
Section 536.080, R.S.Mo. 1978.
Fraas, Chm., Not Participating.

Dated at Jefferson City, Missouri,
on this 3rd day of December, 1981.

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STIPULATION AND AGREEMENT

On January 2, 1981, Missouri Power & Light Company (hereinafter referred to as the Company), filed with the Missouri Public Service Commission revised tariffs reflecting increased rates for gas and electric service to its customers. The proposed tariffs bore a requested effective date of February 2, 1981. On January 26, 1981, the Commission issued a Suspension Order in which it suspended the proposed tariffs for a period of one hundred and twenty (120) days beyond the requested effective date until June 2, 1981, unless otherwise ordered by the Commission. By Order dated March 10, 1981, the Commission further suspended those proposed tariff sheets for a period of six months beyond June 2, 1981 to December 2, 1981. This order also established procedural dates for intervention, the filing of testimony, prehearing conference and hearing for the purpose of cross examination.

On March 31, 1981, Company filed with the Commission revised tariffs reflecting increased rates for electrical service. The proposed tariffs bore a

requested effective date of April 30, 1981. On April 17, 1981, the Commission issued a suspension order in which it suspended the proposed tariffs for a period of 120 days beyond the requested effective date until August 28, 1981. By order dated June 1, 1981, the Commission further suspended the proposed electric service tariffs for an additional period of six months beyond the initial suspension date, until February 28, 1982. In that order the Commission also established certain procedural dates for intervention, the filing of testimony, prehearing conference, and hearing for the purpose of cross examination.

On June 1, 1981, the Company filed with the Commission proposed tariffs designed to implement rates on an emergency or interim basis, pending the outcome of the permanent cases referred to above. The interim tariffs bore a requested effective date of July 1, 1981. The proposed interim tariffs were designed to increase Company's gross electric revenues by \$3,855,000 and gross gas revenues by \$938,000 on an annual basis. On June 11, 1981, the Commission issued an order suspending the proposed interim tariffs for a period of one hundred and twenty days beyond the July 1, 1981 requested effective date, to October 29, 1981. The order further set the combined cases, Case Nos. GR-81-355 and ER-81-356, for hearing on June 25, 1981. At the hearing on June 25, 1981, the Company and the Staff of the Commission presented a stipulation in which it was agreed that Company would be allowed to implement interim tariffs designed to produce additional electric revenue, in the amount of \$2,198,610 and gas revenue of \$793,091 on an annual basis, exclusive of gross receipts or sales taxes.

Because the Office of the Public Counsel did not receive a copy of the order setting the June 25, 1981 hearing, a continuance of the hearing was granted until July 1, 1981. On July 16, 1981, the Commission issued an order which approved the complete terms of the Stipulation and Agreement entered into between the Staff and the Company. Included in that Stipulation was the provision that the interim

rates were placed in effect subject to refund with interest. A refund would be appropriate, the Stipulation stated, if the Company failed to file by June 1, 1982 an application for permanent financing designed to reduce the long term debt ratio in the Company's capital structure. The Stipulation also provided that the procedural schedule in Case Nos. GR-81-222 and ER-81-304 would be combined and the dates established in ER-81-304 would be utilized for purposes of filing dates, prehearing conference, and hearing. The Commission order approving the Stipulation and Agreement allowed the interim tariffs to become effective for service rendered on and after July 16, 1981.

On November 2, 1981, representatives of the Staff of the Commission, the Company, and the Office of the Public Counsel met in the offices of the Commission for the purpose of a prehearing conference, such date having been established in the procedural schedule of Case No. ER-81-304. No interventions were made in these cases. As a result of those prehearing negotiations, the Staff and the Company reached a stipulated settlement of the matters at issue in Case Nos. GR-81-222 and ER-81-304, and presented a Stipulation and Agreement to the Commission at a hearing on November 16, 1981.

By Order dated December 1, 1981, the Commission rejected the proposed Stipulation and Agreement, stating that a substantial question had been raised on rate design by the Office of the Public Counsel.

Subsequent to that Order, the parties entered into further settlement negotiations, and as a result of such negotiations, the undersigned parties hereby agree and stipulate as follows:

1. That Company be authorized to file permanent revised tariffs designed to increase Missouri jurisdictional gross annual electric revenues by \$6,727,931 and Missouri jurisdictional gross annual gas revenues by \$1,139,489, exclusive of applicable gross receipts, sales and local taxes.

2. The said permanent tariffs shall replace the electric and gas tariffs now in effect on an interim basis as a result of Case Nos. GR-81-355 and ER-81-356. The effective date of the permanent tariffs referred to in paragraph numbered one hereof shall be December 10, 1981, and the said tariffs shall be effective for service rendered on and after December 10, 1981, with the interim tariffs expiring at midnight on December 9, 1981.

3. The increased gross annual electric revenues authorized by the Commission's approval of this Stipulation and Agreement shall be allocated among and within the rate schedules which were in effect immediately prior to those tariffs authorized by the Commission in the interim case, ER-81-356, on July 16, 1981 on the following basis: Electric revenues represented in this Stipulation and Agreement shall be spread one hundred percent on a uniform cents per kilowatthour (.406 cents per kWh) basis.

4. The increased gross annual gas revenues authorized by the Commission's approval of this Stipulation and Agreement shall be allocated on a uniform cents per one hundred cubic feet (ccf) basis. The customer charge for residential firm customers shall be \$6.00 per month. The customer charge for commercial firm customers shall decrease from \$9.50 to \$8.00 per month. The customer charge for Regular Interruptible customers (those using up to 20,000 mcf annually) shall decrease from \$9.50 per month to \$8.00 per month. The customer charge for Large Interruptible customers (those using over 20,000 mcf annually) shall increase from \$9.50 per month to \$86.00 per month. After allowance is made for the change in revenue to Company from the changes in the various customer charges, and the effect of the increase which is expressed in this Stipulation and Agreement, the increase to permanent rates (those existing prior to the Commission's Order in the interim gas case GR-81-355 on July 16, 1981) amounts to 1.69 cents per ccf.

5. That Company shall cease the capitalization of the Gas Research Institute charge applicable to gas purchased on and after December 10, 1981. The total of such costs that have been capitalized applicable to prior purchases shall continue to be amortized over a 20-year period.

6. That approximately \$400,000 of the increase in revenues authorized by the Commission's approval of this Stipulation and Agreement shall be placed in effect subject to refund with interest to be calculated pursuant to Section 35.19a of the Rules of the Federal Energy Regulatory Commission. A refund with such interest would occur only if, after receiving the approval of the Public Service Commission to engage in the equity financing for which the Company will make application to the Commission before June 1, 1982, the Company makes a voluntary decision to refrain from carrying through with the financing during the calendar year of 1982. Disapproval by the Commission of the Company's application to engage in the equity financing will not serve to place this refund provision into effect. If the Company voluntarily declines to engage in the financing as aforesaid, the interest provision would be calculated for the period of time from December 10, 1981 until such refunds are made by credit on the bills of the customers. Electric customers would receive .020 cents per kWh (\$0.00020/kWh) plus interest applied on a uniform percentage of revenue basis. Gas customers would receive .085 cents per ccf (\$0.00085/ccf), plus interest, as a credit on their bill.

7. That Company's tariff sheets PSC Mo. No. 1, Original Sheet No. 3.1 and PSC Mo. No. 2, 2nd Revised Sheet No. 11.5, dealing with amounts subject to refund in Case Nos. GR-81-355 and ER-81-356, shall be replaced with new sheets, copies of which are attached hereto and identified as PSC Mo. No. 1, 1st Revised Sheet No. 3.1 and PSC Mo. No. 2, 3rd Revised Sheet No. 11.5, which place into effect subject to refund certain amounts which have been referred to herein in paragraph numbered 6.

8. That Company shall be allowed to file tariffs reflecting increased charges for disconnection, reconnection and trip costs incurred in such functions, in the manner expressed in the tariff sheets attached hereto. As a condition for such increased charges, Company agrees to track the revenues collected from such charges for the period of January 1, 1982 through December 31, 1982, and at a reasonable time thereafter so as to allow for computation, present a report to the Staff of the Commission indicating the results of such study. Company also agrees to conduct a survey to determine its costs in undertaking such tasks and to provide the results and support for that study at the same time.

9. That this Stipulation and Agreement shall have no effect on the present purchased gas adjustment calculations and does not constitute a rebasing of the same PGA.

10. That the Order of the Commission approving this Stipulation and Agreement shall contain the following specific provision:

"ORDERED: Company is authorized to use the ACCELERATED COST RECOVERY SYSTEM for calculating depreciation for income tax deduction purposes and is further authorized to use a normalization method of accounting as defined and prescribed in the Economic Recovery Tax Act of 1981 as defined and prescribed in any rulings or regulations which might be promulgated to further explain or define the provisions of that Act, and further, said normalization will result in deferred tax expense which this Commission will allow in cost of service for ratemaking purposes."

11. That since PSC Mo. No. 2, 7th Revised Sheet No. 11.3 is to be replaced before expiration of the period referred to therein because of the effective date of this Stipulation and Agreement, an audit is to be performed for the period of March 23, 1981 through December 9, 1981 to determine the actual versus forecasted fuel costs to Company from Union Electric Company in accordance with the terms of the Commission's Report and Order in Case No. ER-80-286 and the terms stated in PSC Mo.

No. 2, 7th Revised Sheet No. 11.3. Company shall be authorized to file PSC Mo. No. 2, 8th Revised Sheet No. 11.3 (attached hereto as a part of Exhibit A) to replace 7th Revised Sheet No. 11.3, in order to recognize the agreement that a charge of .151 cents (\$0.00151) per kilowatthour is included in electric rates subject to refund with interest, pending an audit of the actual versus forecasted fuel costs incurred by Company from Kansas City Power & Light Company and Union Electric Company for the period December 10, 1981 through December 9, 1982. A weighted average fuel cost of 1.389 cents per kWh (\$0.01389/kWh) is included in the case and is not subject to refund. Total weighted annual average fuel costs of 1.527 cents per kWh (\$0.01527/kWh) was utilized for purposes of calculating annualized purchased power fuel costs which results in a difference of .138 cents per kWh (\$0.00138/kWh) being subject to refund. Should Company's weighted annual average fuel costs from those wholesale suppliers be less than .138 cents per kWh over that twelve-month period, Company agrees to refund to its electric customers such excess amounts. Any refund would be made on a uniform cents per kWh basis by means of a credit on the customer's bill. Any applicable interest on such amounts would be calculated from December 9, 1982 to the date such credits are made on the bills, utilizing for an interest rate the provisions in Section 35.19A of the Rules of the Federal Energy Regulatory Commission for the period from December 9, 1982 to the date such credits are made. Should Company's weighted annual average fuel costs from those wholesale suppliers exceed .138 cents per kWh for the December 10, 1981 through December 9, 1982 period, no refunds shall be made to the customers. The actual period during which these fuel costs subject to refund are collected may be shorter than twelve months in the event of an order of the Commission in a succeeding rate proceeding involving Company, in which case the length of the period may be modified.

12. That this Stipulation and Agreement represents a negotiated dollar settlement for the sole purpose of disposing of all of the issues in Case

No. GR-81-222 and ER-81-304, and none of the parties to this Stipulation and Agreement shall be prejudiced, bound by, or in any way affected by the terms of this Stipulation and Agreement in any future proceeding or in this proceeding in the event that the Commission does not approve this Stipulation and Agreement in total.

13. That none of the parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking principle, value method, method of cost of service determination, rate design proposal or cost allocation underlying any of the rates and tariffs provided for in this Stipulation and Agreement.

14. That all of the prefiled testimony and exhibits of Company witnesses Loethen, Haynes, Loesch, Luebbert, Scheperle, Carrender, Anderson, Buchmeier, Boeller and Wasson shall be received into evidence without the necessity of any of the said witnesses taking the stand.

15. That all of the prefiled testimony and exhibits of Staff witnesses Bax, Myers, Trippensee, Matisziw, Mitchell, Washburn and Stubblefield shall be received into evidence without the necessity of any of the said witnesses taking the stand.

16. That all of the prefiled testimony and exhibits of Public Counsel witness Anderson shall be received into evidence without the necessity of the said witness taking the stand.

17. That the testimony and exhibits of the witnesses listed in paragraphs numbered 14, 15 and 16 hereof shall constitute all of the evidence submitted in this proceeding.

18. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their rights to cross-examine witnesses with respect to testimony and exhibits sponsored by such witnesses.

19. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights to present oral argument or written briefs, pursuant to Section 536.080(8) RSMo. 1978.

20. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights pertaining to the reading of the transcript by the Commission, pursuant to Section 536.080 RSMo. 1978.

21. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights to judicial review, pursuant to Section 365.510 RSMo 1978.

22. That the agreements in this Stipulation and Agreement have resulted from negotiations among the signatory parties and are interdependent. In the event the Commission does not approve and adopt all the specific terms of this Stipulation and Agreement, the same shall be void and no party shall be bound by any of the agreements or provisions hereof.

23. That attached hereto are the complete gas and electric tariff sheets which shall be filed by Company with the Commission in the event this Stipulation and Agreement is approved.

Respectfully submitted,

MISSOURI POWER & LIGHT COMPANY

By (/s/ Gary W. Duffy)
Gary W. Duffy
Attorney

/s/ Holly E. Peck)
Holly E. Peck
Assistant General Counsel

By (/s/ Eric K. Banks)
Eric K. Banks
Assistant General Counsel