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Missouri Public Service Commission

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October 1, 2001

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Executive Director
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Director, Utility Operations
ROBERT SCHALLENBERG
Director, Utility Services
DONNA M. KOLILIS
Director, Administration
DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

FILED³

OCT - 1 2001

**Missouri Public
Service Commission**

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 a **HIGHLY CONFIDENTIAL STAFF RECOMMENDATION** and one (1) copy of the NP version.

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,

Robert V. Franson
Associate General Counsel
(573) 751-6651
(573) 751-9285 (Fax)
rfranson@mail.state.mo.us

RVF:ccl
Enclosure
cc: Counsel of Record

NP

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

OCT - 1 2001

Missouri Public
Service Commission

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

Case No. GR-99-435

STAFF RECOMMENDATION

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and 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 ACA Recommendation.

4. On October 5, 2000, the Company filed a response to Staff's Recommendation that expressed some concern about Staff's proposed methodology of pricing imbalances.

5. On October 23, 2000, pursuant to Commission Order the Staff filed Staff's Response to the Company's Response. In this Response Staff discussed the status of the imbalance issue between Staff and UtiliCorp and Staff requested that this docket remain open pending an investigation of issues contained in Case No. GO-2001-249.

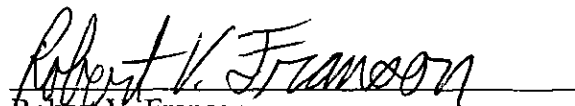
6. On June 6, 2001, Staff filed a Progress Report to address the status of the imbalance issue and other pertinent issues in this case.

7. In the attached Memorandum (Appendix A), Staff recommends that the Commission issue an order establishing the ACA account balances as recommended by Staff. Staff also recommends that the Commission order SJLP to respond to Staff Recommendations within thirty (30) days.

WHEREFORE, Staff recommends that the Commission issue its order in this case consistent with Staff's recommendations.

Respectfully submitted,

DANA K. JOYCE
General Counsel



Robert V. Franson
Associate General Counsel
Missouri Bar No. 34643

Attorney for the Staff of the
Missouri Public Service Commission
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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 1st day of October 2001.



**Service List for
Case No. GR-99-435
Revised: October 1, 2001 (ccl)**

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Jefferson City, MO 65102**

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Jefferson City, MO 65102**

NP

MEMORANDUM

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

FROM: *BA* Phil Lock, *ALJ* Lesa Jenkins, and *OS.* Dave Sommerer - Procurement Analysis Department

David Sommerer / 10-1-01 *Thomas R. Schwary Jr.* / 10/1/07
Project Coordinator/Date General Counsel's Office/Date

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

DATE: October 1, 2001

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. On October 23, 2000 Staff filed a Recommendation Update that discussed the status of the imbalance issue between Staff and UtiliCorp and a request by Staff for this docket to remain open pending an investigation of issues contained in Case No. GO-2001-249. A Progress Report was filed on June 6, 2001 to address the current status of this imbalance issue and other issues pertinent to this case. Staff will address the imbalance issue relative to the 1998-1999 ACA period and will include its proposed adjustment in this report.

Staff has also conducted a review of hedging activities during this ACA period. Any adjustment(s) resulting from hedging activities as it pertains to the 1998-1999 ACA period will be included in this final report.

IMBALANCES

MPS changed its accounting methodology for pricing pipeline imbalances in April 1999. The volume imbalances are now priced out monthly and are recorded as monthly transactions on the Company's books. Previously MPS performed a yearly reconciliation of imbalances. This change affects the Northern, Southern, and Eastern districts.

After further discussions with the Company, Staff has proposed a method of pricing imbalances for the Company's three districts. Staff proposes a current month approach to pricing imbalances whereby the current month index price is applied to the current month imbalance. This would insure that the prior month imbalance dollars plus current month imbalance dollars are accounted for in the weighted average cost of gas calculation. Staff's proposed adjustment reduces the cost of gas to the Eastern District by \$4,860, reduces the cost of gas to the Northern District by \$13,788, and increases the cost of gas to the Southern District by \$2,277.

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RELIABILITY ANALYSIS

Staff conducted a reliability analysis for the Missouri Public Service, Southern, Northern, and Eastern distribution systems that included a review of (a) estimated peak day requirements and capacity levels to meet those requirements, (b) peak day reserve margin and the rationale for this reserve margin, and (c) comparison of actual demand to estimated demand. In response to Staff's recommendation, Company agrees to provide all the information requested by Staff. The Company, however, believes that the "estimate for reserve margin" information for the 1999/2000 ACA **and** for three to five years beyond that is too long. MPS proposed to submit information for the 1999/2000 ACA period and for two additional years. Staff accepted this proposal.

Description	Beginning ACA Balance Per Filing	Staff Adjustments	Ending ACA Balance Per Filing
Southern System:			
Firm ACA	\$(215,424) A	** _____ **	\$(247,104)
Interruptible ACA	\$(9,563)		\$(9,563)
Take-or-Pay	\$0		\$0
Transition Cost	\$0		\$0
Refund	\$(590,822)		\$(590,822)
Northern System:			
Firm ACA	\$138,684	** _____ **	\$62,277
Interruptible ACA	\$104,100		\$104,100
Take-or-Pay	\$0		\$0
Transition Cost	\$0		\$0
Refund	\$(7,644)		\$(7,644)
Eastern System:			
Firm ACA	\$675,069 D	\$(4,860)	\$670,209

- A) \$(216,359) ACA Balance + \$935 DCCB Balance
B) \$2,277 Imbalance adjustment ** _____ **
C) Includes \$(13,500) Adjustment that has already been included by MPS in the 1999-2000 ACA filing +
\$(13,788) imbalance adjustment ** _____ **
D) \$663,578 ACA balance + \$11,491 DCCB Balance

RECOMMENDATIONS

The Staff recommends that the Commission issue an order requiring:

1. Missouri Public Service to adjust the ACA account balances for each district in the 1998-1999 ACA filing to reflect the ending (over)/under recovery balances per attached table;
2. Missouri Public Service to file a written response to this recommendation within 30 days.