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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 24th
day of September, 1997.

In the Matter of the Operation of)	
Missouri Public Service's Purchased)	<u>Case No. GO-97-403</u>
Gas Adjustment Clause.)	

ORDER APPROVING STIPULATION AND AGREEMENT

On April 1, 1997, the Staff of the Missouri Public Service Commission (Staff) and Missouri Public Service (MPS or Company) filed a Joint Motion to Open Docket and Joint Motion to Establish a Procedural Schedule. On April 10 the Commission issued an Order establishing this docket and adopting a procedural schedule as suggested by Staff and MPS. On May 5 the Staff filed a Notice and Motion which stated that an agreement in principle had been reached in this case.

On September 12 Staff and MPS filed a Stipulation and Agreement in this case. Staff and MPS are the signatories to the Stipulation and Agreement. The Certificate of Service states that a copy of the Stipulation and Agreement was mailed or hand-delivered to all counsel of record on September 12, 1997. The Commission's rules provide that non-signatory parties have five days after receipt of the notice that a Stipulation and Agreement has been filed to request a hearing regarding the Stipulation and Agreement and, if no such request is made, the Commission should treat the Stipulation and Agreement as a Unanimous Stipulation and Agreement. (4 CSR 240-2.115(3)). The Commission may approve the Stipulation and Agreement without having an on-the-record presentation in this case because the due process requirements as set out in State ex rel.

Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989) have been met. Non-signatory parties had an opportunity to request a hearing and have waived their rights by not requesting a hearing.

The agreement reached by Staff and MPS in this case each involve the function of MPS's PGA clause. The PGA clause is designed to allow natural gas local distribution companies to recover the cost of natural gas that they pay to wholesale suppliers of the commodity.

I. Frequency of PGA Filings

Under its current tariff MPS recomputes the PGA factor in the event of a change in the company's cost of purchased gas but the factor is not filed unless the proposed annual increase or decrease in purchased gas costs exceeds \$50,000 based on total estimated cost of purchased gas. If the Stipulation and Agreement is approved and MPS is authorized to implement tariff changes, MPS would be permitted to make no more than three PGA changes per year. Two of these PGA changes are scheduled changes and they consist of a "winter filing" between October 15 and November 4 of 1997 and each succeeding year, and a "summer filing" between March 15 and April 4 of 1998 and each succeeding year. MPS could make an unscheduled winter PGA filing in between the scheduled winter filing and scheduled summer filing if at the time such unscheduled filing is made there is a projected under-recovery of 15 percent or more of MPS's annual gas costs or a projected over-recovery of 10 percent or more of MPS's annual gas costs.

II. Proration of PGA changes

Currently, MPS prorates its PGA factor but does not prorate its ACA and refund factors. Under the agreement, increases and decreases in

any PGA factor shall be applied prorata to customers' bills for service rendered on and after the effective date of the change.

III. Reevaluation of PGA Clause

MPS agrees to cooperate with the Staff, Office of the Public Counsel and other interested parties in examining the desirability and feasibility of implementing further changes to its tariff in advance of the 1998/99 winter heating season, based on a review of how well the PGA clause, as modified by this agreement operates during the 1997/98 winter heating season.

The Commission finds that the proposed Stipulation and Agreement is in the public interest and should be approved. The proposed Stipulation and Agreement is consistent with the Commission's obligation to ensure just and reasonable rates. *See* Section 393.130.¹

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by the Staff of the Missouri Public Service Commission and Missouri Public Service on September 12, 1997 is hereby approved (Attachment A).

2. That Missouri Public Service shall file tariff sheets in compliance with this order no later than September 30, 1997, in substantially the same form as those attached to the Stipulation and Agreement, said tariff sheets bearing an effective date of October 15, 1997.

¹ All statutory references are to Revised Statutes of Missouri 1994.

3. That the Staff of the Missouri Public Service Commission shall file a memorandum in this docket no later than October 10, 1997, indicating whether the tariff sheets filed pursuant to ordered paragraph 2 are in compliance with this order.

4. That this order shall become effective on October 15, 1997.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read "Cecil I. Wright", with a stylized flourish at the end.

**Cecil I. Wright
Executive Secretary**

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur.

ALJ: Luckenbill

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
SEP 12 1997
MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of the operation)
of Missouri Public Service's)
Purchased Gas Adjustment Clause.)

Case No. GO-97-403

Stipulation and Agreement

I. Procedural History

On April 1, 1997, the Staff of the Missouri Public Service Commission (Staff) and Missouri Public Service ("MPS or Company") filed a Joint Motion to Open Docket and a Joint Motion to Establish Procedural Schedule. In the Joint Motion, Staff stated that events during the last heating season had raised general questions regarding the frequency of Purchased Gas Adjustment ("PGA") filings and the extent to which changes in various PGA factors should be prorated for billing purposes. Staff and MPS accordingly requested that the Commission open this docket for the purpose of examining these two issues, and these two issues alone, in advance of the next winter heating season.

On April 10, 1997, the Commission issued an Order in Case No. GO-97-403 in which it opened this docket, established the procedural schedule recommended by Staff and MPS, and directed that notice of this proceeding be provided. The Commission also issued

Orders opening similar dockets applicable to the other local distribution companies which operate in Missouri.

Subsequent to the issuance of these Orders, representatives of the Staff, MPS and other gas utilities met in an effort to discuss the issues raised in each docket and to determine whether agreements resolving the issues could be reached. As a result of those discussions, Staff and MPS have reached the following stipulations and agreements:

II. Frequency of PGA Filings

For purposes of resolving the issue relating to the frequency of PGA filings, MPS and Staff have agreed to certain significant revisions to MPS's PGA tariff which, if approved by the Commission, would substantially reduce the number of PGA filings made by MPS each year. These proposed PGA tariff revisions are set forth in Attachment A to this Stipulation and Agreement (the "Proposed PGA Tariff") and include the following modifications:

A. Number and Timing of PGA Filings -- Under its existing tariffs, MPS recomputes the PGA factor in the event of a change in the company's cost of purchased gas but such a factor will not be filed unless the proposed annual increase or decrease in purchased gas costs will exceed \$50,000 based on total estimated cost of purchased gas. Under the Proposed PGA Tariff, MPS shall be

permitted to make no more than two scheduled PGA filings each calendar year and one unscheduled PGA filing each winter period pursuant to the following terms:

1. Scheduled PGA Filings -- The first scheduled PGA filing (hereinafter the "Winter PGA Filing") shall be filed between October 15 and November 4, 1997 and between October 15 and November 4 of each succeeding calendar year thereafter. The second scheduled PGA filing (hereinafter the "Summer PGA Filing") shall be filed between March 15 and April 4, 1998 and between March 15 and April 4 of each succeeding calendar year thereafter.

2. Unscheduled Winter PGA Filing -- In addition to these two scheduled PGA filings, MPS shall also be permitted to make one unscheduled winter PGA filing on an annual basis (hereinafter the "Unscheduled Winter PGA Filing") in the period between the effective date of the Winter PGA Filing and the next Summer PGA Filing, provided that at the time of such Unscheduled Winter PGA Filing, there is: (a) a projected under-recovery in MPS's Deferred Carrying Cost Balance ("DCCB"), as defined in paragraph II. D.1 herein, equal to or greater than fifteen percent of MPS's Annual Gas Cost Level or (b) a projected over-recovery equal to or greater than ten percent of MPS's Annual Gas Cost Level. The projected under- or over-recovery shall be determined

by adding: (1) the actual net over- or under-recovery amount in the DCCB at the time the Unscheduled Winter PGA Filing is made, and (2) the estimated over- or under-recovery amount which, based on the LDC's actual gas commodity costs at the time of the Unscheduled Winter PGA Filing, would otherwise occur in the ensuing monthly period absent the filing.

3. Notice Period -- Each PGA filing shall be filed with the Commission no less than ten business days prior to the proposed effective date.

B. Contents of PGA Filings

1. The scheduled Winter and Summer PGA Filings shall contain rates reflecting: (a) refunds, (b) Take-Or-Pay (TOP) costs, (c) Transition Costs (TC) and (d) MPS's estimate of annualized gas cost revenue requirements for the period between the date of such filing and the next scheduled PGA Filing.

2. In the Winter PGA Filing, MPS shall file revised ACA factors relating to the immediately preceding twelve months ending August (prior ACA period).

3. For an Unscheduled Winter filing MPS may file for a change in rates not to exceed:

(a) MPS' actual commodity gas procurement cost per Ccf in the month in which the filing is made, plus,

(b) An additional debit or credit of not more than five cents (\$0.05) per Ccf in order to recover or return any additional under or over recoveries of gas procurement cost revenue requirements since the Winter PGA filing.

4. The Unscheduled Winter PGA Filing Adjustment Factor shall remain in effect only until the effective date of the next scheduled Summer PGA Filing.

C. Estimate of Annualized Gas Costs -- The level of annualized gas costs to be reflected in each PGA filing shall be subject to the following conditions:

1. Fixed Gas Costs -- The gas cost revenue requirement relating to fixed pipeline transportation and storage charges, fixed gas supply charges, and other FERC authorized charges, shall be determined in the same manner as under MPS's now existing PGA procedures.

2. Commodity Gas Cost Cap -- The level of gas costs relating to gas supply commodity costs, variable transportation charges, and other FERC-authorized variable charges shall be determined by MPS for purposes of estimating this component in each PGA filing, provided that:

(a) for any scheduled PGA filing, such estimate shall not exceed a per therm cost equal to the higher of:

(1) MPS's actual commodity gas cost per therm for currently purchased gas supplies in the month in which the PGA filing is made; or

(2) The average of (i) the single highest weighted average commodity gas cost per therm and (ii) the overall weighted average commodity gas cost per therm actually incurred by MPS, for currently purchased gas supplies in the applicable winter or summer period during the then three most recent ACA periods.

(b) for any Unscheduled Winter PGA Filing, such estimate shall not exceed a per therm cost equal to MPS's actual per therm commodity cost of gas, for currently purchased gas supplies in the month in which such Unscheduled Winter PGA Filing is made.

(c) MPS will provide Staff and the Office of the Public Counsel (OPC) information necessary to show how the factor was developed.

D. Carrying Costs -- Carrying costs shall be applied to certain deferred gas cost balances in the following manner:

1. No carrying costs shall be applied until such time as the net DCCB exceeds an amount equal to ten percent of MPS's average annual level of gas costs for the three then most recent ACA periods, beginning with the three ACA periods immediately

preceding the 1997/98 winter period (hereinafter "Annual Gas Cost Level"). The DCCB shall include the cumulative under- or over-recoveries of gas costs at the end of each month for each annual ACA period. The under- and over-recoveries of gas costs to be included in the DCCB shall be defined as the product of: (a) the difference between MPS's actual annualized unit cost of gas (blended with storage) and the estimated annualized unit cost of gas factor included in MPS's then most recent PGA filing, times (b) the total volumes of gas sold during such month.

2. In the event the DCCB (whether over- or under-recovered) exceeds ten percent of MPS's Annual Gas Cost Level, a carrying cost equal to simple interest at the prime rate as noted in the Wall Street Journal on the first business day of the following month, minus one percentage point shall be applied to such portion of the balance amounts as exceeds ten percent for the period such excess balance amounts exist.

III. Proration

Currently, MPS prorates its PGA factor, but does not prorate its ACA and refund factors. To resolve this issue, the undersigned parties agree that any increase or decrease in any PGA factor shall be applied prorata to customer's bills for service rendered on and

after the effective date of the change. The parties further agree that bills which contain multiple PGA rate changes during a customer's billing cycle shall be prorated between the old and new rates in proportion to the number of days in the customer's billing cycle that such rates were in effect.

IV. Ancillary Matters

A. Variance from PGA Provisions -- Nothing in this Stipulation and Agreement shall expand or limit whatever authority MPS may have to seek a variance or waiver from any MPS tariff provisions or Commission rules. The tariff changes in Attachment A represent a negotiated solution to perceived concerns and involve implementation of a new, untested method of gas cost recovery. As a result, this Stipulation and Agreement shall not be construed as affecting in any way MPS's right to seek emergency or permanent rate relief or to propose changes to its tariffs, including those in Attachment A, pursuant to law.

B. Reevaluation of PGA Clause -- The parties agree that the PGA Clause revisions proposed herein address the immediate concerns raised in Case No. GO-97-403 as such concerns relate to MPS. MPS agrees to cooperate with the Staff, OPC and other interested parties in examining the desirability and feasibility of implementing further changes to its tariffs in advance of the

1998/99 winter heating season, based on a review of how well the PGA Clause, as modified herein, operates during the 1997/98 winter heating season. The parties also acknowledge that the PGA structure provided for herein would need to be significantly altered in the event any further, significant unbundling of MPS's services were to be implemented by the Commission.

C. Data Requests -- All data requests previously submitted by Staff to MPS in these dockets shall be withdrawn. Staff may resubmit Data Request No. 5001 and MPS will provide its response to such data request by within 20 days, provided that such response will be furnished without any prejudice to MPS's right to object subsequently to the relevancy or admissibility of the information provided.

V. General Matters

A. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost allocation, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

B. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

C. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 (RSMo. 1994) to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 (RSMo. 1994); and their respective rights to judicial review pursuant to Section 386.510 (RSMo. 1994).

D. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all Parties. All memoranda submitted by

the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules; shall be maintained on a confidential basis by all Parties; and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

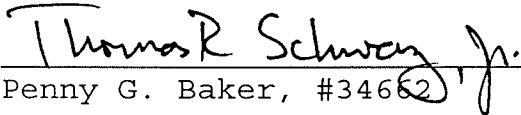
The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests; provided that the Staff shall, to the extent reasonably practicable, promptly provide other Parties with advance notice of when the Staff shall respond to the Commission's request from Staff, (and afford all such parties, to the maximum extent practicable, the right to be present at such oral explanation). Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or

protected from disclosure pursuant to any Protective Order issued in this case.

E. In order for MPS to have adequate time to implement all aspects of this Stipulation and Agreement prior to the Winter PGA Filing, the parties urge the Commission to issue an Order Adopting the Stipulation and Agreement with an effective date of no later than October 1, 1997.

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement to be effective October 1, 1997.

Respectfully Submitted,



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**ATTORNEY FOR
MISSOURI PUBLIC SERVICE**

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 12th day of September, 1997.

Thomas R Schwanz Jr.

P.S.C. MO. No. 5 3rd

(Original)

SHEET NO. 33

(Revised)

Canceling P.S.C. MO. No. 5 2nd

(Original)

SHEET NO. 33

(Revised)

MISSOURI PUBLIC SERVICE
KANSAS CITY, MO 64138

FOR: All Communities and Rural Areas Receiving Natural Gas Service

PURCHASED GAS ADJUSTMENT CLAUSE
GASAPPLICABILITY

This Purchased Gas Adjustment (PGA) applies to all sales of natural gas service provided under all natural gas rate schedules and contracts. While transportation service by itself is not a sale of natural gas, charges approved by the Missouri Public Service Commission which Missouri Public Service is required to pay (for example, fixed Take-or-Pay (TOP) and Transition Cost (TC) charges) shall be proportionally billed to transportation service customers as provided for in this Clause. Missouri Public Service shall compute separate PGA Clause rates for the Northern, Southern and Eastern Systems.

Any proposed PGA factor change made pursuant to this clause shall become effective only after being on file with the Commission for a period of ten days. When the Company files for a PGA factor change with the Commission, it shall file:

- (1) A transmittal letter explaining the nature of all changes in cost from the previous PGA factor filing
- (2) The PGA "Adjustment Statement" tariff sheets
- (3) Exhibits showing the computation of each factor change
- (4) Documentation supporting the cost changes.

Any increase or decrease in rates shall be applied to customers' bills for service rendered on or after the effective date of the change. Bills computed which contain multiple rates during a customer's billing cycle shall be prorated between the old and new rates in proportion to the number of days in the customer's billing cycle that such rates were in effect.

ATTACHMENT A

P.S.C. MO. No.

5

3rd

(Original)
(Revised)
(Original)
(Revised)

SHEET NO.

34

Canceling

P.S.C. MO. No.

5

2nd

SHEET NO.

34

MISSOURI PUBLIC SERVICE
KANSAS CITY, MO 64138

FOR: All Communities and Rural Areas Receiving Natural Gas Service

PURCHASED GAS ADJUSTMENT CLAUSE
GASI. PURCHASED GAS ADJUSTMENT (PGA) FACTORS

The Company's annual PGA factor shall be calculated based on the best estimate of the Company's annual gas costs and volumes purchased for resale, as calculated by the Company, reviewed by the Missouri Public Service Commission Staff (Staff), and approved by the Commission. Calculation of the best estimate of the Company's gas costs and volumes purchased for resale shall consider the Company's projected monthly demand levels, supply options, transportation options, storage options, and other miscellaneous charges and revenues that affect the annual rate calculation. The costs to be included in the PGA rate calculation shall be limited to the projected costs necessary to deliver the volumes purchased for resale to the Company's city gates.

The Company shall make two scheduled PGA filings each year. One filing will be for the winter PGA and one filing will be for the summer PGA. The winter PGA shall be filed between October 15 and November 4 of each year. The summer PGA shall be filed between March 15 and April 4 of each year.

The Company may also make an unscheduled PGA filing in each winter period, provided that at the time of such a filing there is a projected under recovery in the Deferred Carrying Cost Balance equal to or greater than fifteen percent of the Company's Annual Gas Cost Level or projected over recovery equal to or greater than ten percent of the Company's Annual Gas Cost Level. The projected over or under recovery shall be determined by: (a) adding the actual over or under recovery amount in the Deferred Carrying Cost Balance at the time of the PGA filing is made, to (b) the estimated over or under recovery amount which, based on the Company's actual gas commodity costs at the time of the emergency PGA filing, would otherwise occur in the ensuing month absent the filing.

If the Company qualifies for, and chooses to make, an unscheduled PGA filing, that filing: (1) must contain rates reflecting the Company's then current estimate of annualized gas cost revenue requirements for the period from the effective date of such filing to the next scheduled filing; and (2) may contain a further adjustment factor to such rates, which is designed to return to, or receive from, ratepayers any over or under recoveries of gas cost revenue requirements that have been deferred by the Company since its last PGA filing.

Each PGA filing shall become effective ten business days after the date of the filing, unless the Company has elected a longer notice period, not to exceed thirty days.

P.S.C. MO. No. 5

3rd

(Original)

SHEET NO. 35

(Revised)

Canceling P.S.C. MO. No. 5

2nd

(Original)

SHEET NO. 35

(Revised)

MISSOURI PUBLIC SERVICE
KANSAS CITY, MO 64138

FOR: All Communities and Rural Areas Receiving Natural Gas Service

PURCHASED GAS ADJUSTMENT CLAUSE (CONTINUED)
GAS

Estimate of Gas Cost Revenue Requirements – The gas cost revenue requirement shall include but not be limited to all charges incurred for gas supply, pipeline transmission, contract storage and other FERC authorized charges. For the gas supply commodity component, including variable transportation costs and other FERC authorized changes, the Company will utilize the technique it deems reasonable for purposes of estimating the gas cost revenue requirement to be reflected for this component in each PGA filing, provided that:

(1) for any scheduled PGA filing, such estimate shall not exceed the higher of: (a) the Company's commodity gas cost per therm in the month in which the PGA filing is made, or (b) the average of the single highest weighted average commodity-related gas cost per therm actually incurred by the Company for currently purchased gas supplies in the applicable winter or summer period during the then three most recent ACA periods.

(2) for any unscheduled Winter PGA filing, such estimate shall not exceed: (a) the Company's actual commodity cost of gas per therm in the month in which such emergency filing is made plus (b) a further adjustment factor (not to exceed five cents per therm) which is designed to return to, or receive from, ratepayers any over or under recoveries of gas cost revenue requirements that have been deferred by the Company since its last PGA filing.

II. ACTUAL COST ADJUSTMENT (ACA) FACTORS

- A. Missouri Public Service shall maintain ACA accounts for each of its Northern, Southern, and Eastern Systems, which shall be credited or debited by the amount of any gas cost recovery revenue in excess of or below the actual cost of natural gas purchased and distributed for sale to customers in each of its Missouri service areas. If challenged, Missouri Public Service has the burden to prove that all costs included in the ACA, TOP, TC and Refund factors' reconciliation and development were prudently incurred and appropriately allocated to classes.

All similar account balances shall be combined for the computation of the November 1, 1997, ACA, TOP, TC and Refund factor filings.

Any excess or deficit in total gas cost recovery shall be determined by a monthly comparison of the actual prudently incurred cost of natural gas purchased by Missouri Public Service with the actual authorized as-billed revenues recovered by the Commission-approved PGA. TOP, TC and Refund factors shall all be reconciled similarly but separately from the development of these ACA factors. The ACA factors filed with the Commission shall not include any Missouri Public Service developed amounts related to unbilled revenues or unbilled gas costs.

P.S.C. MO. No. 5

3rd

(Original)

SHEET NO. 36

(Revised)

Canceling P.S.C. MO. No. 5

2nd

(Original)

SHEET NO. 36

(Revised)

MISSOURI PUBLIC SERVICE
KANSAS CITY, MO 64138

FOR: All Communities and Rural Areas Receiving Natural Gas Service

PURCHASED GAS ADJUSTMENT CLAUSE (CONTINUED)
GAS

- B. The amounts of gas cost recovery revenue for each month shall be the product of that month's actual billed Ccf sales and the applicable authorized PGA factor(s) in effect during that same month.
- C. For each twelve (12) month period ending with the August revenue month, the differences resulting from the comparisons described above including any balance or credit for the previous year shall be accumulated to produce a cumulative balance of excess or deficit of gas cost recovery revenue for each of the Northern, Southern and Eastern Systems. ACA factors shall be computed by dividing these cumulative balances by the estimated annualized and normalized sales volumes expected during the next ACA audit period. All actual ACA revenues recovered shall be debited or credited to the appropriate balance of the ACA account and any remaining balance shall be reflected in subsequent ACA factor computations.
- D. The Northern, Southern and Eastern System ACA factors shall be rounded to the nearest \$.00001 per Ccf and applied to billings commencing with the revenue period starting November 1. These ACA factors shall remain in effect until superseded by a subsequent ACA calculated according to this provision.

III. CARRYING COSTS

Carrying Costs shall be applied in the following manner:

(1) No carrying costs shall be applied in connection with any PGA-related item until such time as the net "Deferred Carrying Cost Balance" exceeds an amount equal to ten percent of the Company's average annual level of gas costs for the three then most recent ACA periods (hereinafter "Annual Gas Cost Level"). The Deferred Carrying Cost Balance shall include the cumulative under or over recoveries of gas costs at the end of each annual period. The under and over recoveries of gas costs which give rise to the Deferred Carrying Cost Balance are defined as the difference between the Company's actual cost of gas (as calculated for purposes of determining the Company's current purchased gas adjustment factor) and actual authorized as billed revenues recovered by the Commission approved PGA.

(2) In the event the Deferred Carrying Cost Balance (whether over-or under-recovered) exceeds ten percent of MPS's Annual Gas Cost Level, carrying cost equal to simple interest at the prime rate as noted in the Wall Street Journal on the first business day of the following month, minus one percentage point shall be applied to such portion of the balance amounts as exceeds ten percent for the period such excess balance amounts exist.

P.S.C. MO. No. 53rd

(Original)

SHEET NO. 37

(Revised)

Canceling P.S.C. MO. No. 52nd

(Original)

SHEET NO. 37

(Revised)

MISSOURI PUBLIC SERVICE
KANSAS CITY, MO 64138

FOR: All Communities and Rural Areas Receiving Natural Gas Service

PURCHASED GAS ADJUSTMENT CLAUSE (CONTINUED)
GASIV. REFUND FACTORS

A separate refund factor shall be computed for each of the Missouri Public Service's Northern, Southern and Eastern Systems, and for each PGA rate classification. Any portion of refunds which Missouri Public Service receives from its wholesale supplier(s), together with any interest included in such refund amounts, will be refunded to Missouri Public Service's customers. Such refunds will be accumulated and filed with the Annual PGA Filing. To extent that refund accumulations by system exceed \$100,000 between November 1 and April 1, the refunds will be added to previously filed refunds. The updated refund factor will be based on projected volumes for the period from the implementation date to November 1.

The refund factors shall be calculated in accordance with the following:

A. Firm Customers:

The portion of the refund allocated to the Firm customers and received from the applicable wholesale supplier, including interest paid by the supplier, shall be divided by the estimated number of Ccfs to be sold in the succeeding twelve (12) months to Missouri Public Service's regular firm sales customers. The resulting per Ccf factor, rounded to the nearest \$.00001 per Ccf, shall be applied as a credit to each firm sales customer's bill over the succeeding twelve (12) months by multiplying such unit refund credit by the total Ccfs billed to each customer in each billing period.

The length of the refund period shall generally be twelve (12) months, with any over/under payment rolling into the next Annual PGA Filing. Missouri Public Service shall add interest to the balance of refunds received from its suppliers remaining to be distributed to its firm customers. The interest shall be calculated at six (6) percent simple interest compounded annually. For each twelve (12) month refund distribution period, an estimate of the interest to be so added by Missouri Public Service shall be included in determining the per Ccf refund rate to be applied to bills pursuant to the above paragraphs.

B. Interruptible Customers:

The portion of the refund allocated to interruptible sales customers and received from the wholesale supplier, including interest paid by the supplier, shall be included in the November 1 PGA filing. Where the amount allocated to interruptible customers includes supplier refunds resulting from more than one proceeding, a single refund period may be selected for the computation of the refund amounts due interruptible customers, whereby this period would most nearly correspond to the period of the proceeding during which the greater portion of the refund was generated. The amount to be refunded to each interruptible customer shall be computed by dividing the respective Ccf sales for each interruptible customer during the refund period by the total interruptible Ccf sales during the same refund period, and then multiplying by the amount allocated to the interruptible class. The amount so computed shall be refunded by a single payment to each customer within 30 days after the approval of the Annual PGA filing.

P.S.C. MO. No.

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3rd

(Original)
(Revised)
(Original)
(Revised)

SHEET NO. 38

Canceling

P.S.C. MO. No.

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SHEET NO. 38

MISSOURI PUBLIC SERVICE
KANSAS CITY, MO 64138

FOR: All Communities and Rural Areas Receiving Natural Gas Service

PURCHASED GAS ADJUSTMENT CLAUSE (CONTINUED)
GASC. Transportation Customers:

Where Missouri Public Service receives refunds of TOP or TC amounts from its pipeline supplier(s) or transporter(s) it shall allocate the applicable portion of the total refund to transportation customers. Such refunds are the only refunds available to transportation customers. The refunding shall be accomplished in the same manner as TOP and TC refunding for interruptible customers. Missouri Public Service may deduct the amount of any delinquent bill or bad debt before making payment to Firm, Interruptible or Transportation customers.

Refund balances (debit or credit) shall be retained until such time as subsequent refunds are received from Missouri Public Service's supplier(s) and such balances shall be added to or deducted from such new refund before distribution to customers.

Missouri Public Service shall file Refund factor adjustments in the Annual Filing. Missouri Public Service shall also file a reconciliation of its refund account at the same time as its annual ACA filing.

P.S.C. MO. No. 53rd

(Original)

SHEET NO. 39

(Revised)

Canceling P.S.C. MO. No. 52nd

(Original)

SHEET NO. 39

(Revised)

MISSOURI PUBLIC SERVICE
KANSAS CITY, MO 64138

FOR: All Communities and Rural Areas Receiving Natural Gas Service

PURCHASED GAS ADJUSTMENT CLAUSE (CONTINUED)
GASV. TAKE-OR-PAY (TOP) FACTORS

- A. Missouri Public Service shall maintain a separate Take-or-Pay (TOP) account for each of the Northern, Southern and Eastern Systems which shall contain fixed FERC approved charges paid by Missouri Public Service to its wholesale supplier(s) or transporter(s). TOP charges shall be recovered on a per Ccf basis from the retail sales customers and from transportation service customers. Retail sales customers shall be billed by applying the per Ccf TOP factor included in Missouri Public Service's Total PGA factor and transportation customers shall be billed the same per Ccf TOP factor for each unit transported. TOP charges may be waived for certain customers consistent with the provisions contained in the Special Transportation Contract Rate, Sheet No. 20.
1. Missouri Public Service shall file proposed TOP factors and prior year TOP reconciliation for each of its Systems with its Annual ACA filing. The reconciliation shall consist of the comparison of the actual as-billed TOP cost incurred during the ACA period with the recovery of the TOP costs during the ACA period. A proposed factor for each System shall be determined by dividing the TOP account balance plus an annualized figure representing monthly TOP payments due over the succeeding twelve (12) months by the estimated number total Ccf throughput (sales and transportation volumes). The resulting factor, rounded to the nearest \$.00001 per Ccf, shall be applied to all customer bills over the succeeding twelve (12) months by multiplying such factor by the total Ccfs delivered to each customer in each monthly billing period.
 2. The period over which each System's TOP factors are to be charged shall be in one year increments or more.
 3. Each System's TOP account balances shall be the net balance of all revenue recovered from the application of the TOP factor rate using the monthly actual billed sales by cycle for retail sales customers and each unit transported for transportation service customers and all prudently incurred fixed FERC approved TOP charges paid to its wholesale supplier(s) or transporter(s).
 4. After the permanent cessation of billing of TOP settlement costs to Missouri Public Service by its supplier(s) or transporter(s), Missouri Public Service shall carry forward any remaining over or under recovery balance and include it in the calculation of the Annual PGA Filing.
 5. The Missouri Public Service Commission will review the reconciliation of each TOP account simultaneously with the annual PGA Filing.

MISSOURI PUBLIC SERVICE COMMISSION
P.S.C. MO. No.

5

3rd

(Original)
(Revised)
(Original)
(Revised)

SHEET NO. 40

Canceling P.S.C. MO. No.

5

2nd

SHEET NO. 40

MISSOURI PUBLIC SERVICE
KANSAS CITY, MO 64138

FOR: All Communities and Rural Areas Receiving Natural Gas Service

PURCHASED GAS ADJUSTMENT CLAUSE (CONTINUED)
GASVI. TRANSITION COSTS (TC) FACTORS

Missouri Public Service shall maintain a separate Transition Cost (TC) account for each of the Northern, Southern and Eastern Systems which shall contain prudently incurred fixed FERC approved TC charges paid to Missouri Public Service's wholesale supplier(s) or transporter(s). TC charges will be recovered on a per Ccf basis from the retail sales customers and from transportation service customers. Retail sales customers will be billed by applying the per Ccf TC factor included in each of the Missouri Public Service System's Total PGA factor times each customer's billed sales, and transportation customers will be billed the per Ccf TC factor for the applicable Missouri Public Service System times each unit transported. TC charges may be waived for certain customers consistent with the provisions contained in the Special Transportation Contract Rate, Sheet No. 20. The TC factor shall be calculated and reported in accordance with the following:

- A. Missouri Public Service shall file annually, simultaneously with its Annual ACA filing, proposed TC factors and prior year TC reconciliation for each System. The reconciliation shall consist of the comparison of the actual as-billed TC amounts incurred during the ACA period with the recovery of the TC amounts during the ACA period. A proposed factor for each System shall be determined by dividing the TC account balance plus an estimated annualized figure representing monthly TC payments due over the succeeding twelve (12) months by the estimated total Ccf throughput (sales and transportation volumes). The resulting factor, rounded to the nearest \$.00001 per Ccf, shall be applied to all customer bills over the succeeding twelve (12) months by multiplying such factor by the total Ccfs delivered to each customer in each monthly billing period;
- B. The period over which each of the TC factors are to be charged shall be in increments of one year or more.
- C. Each of the System's TC account balances shall be the net balance of all revenue recovered from the application of the TC factor rate using the monthly actual billed sales for the retail sales customers and each unit transported for transportation service customers and all prudently incurred fixed FERC approved TC charges paid to its wholesale supplier(s) or transporter(s);
- D. After the permanent cessation of billing of TC charges to Missouri Public Service by its supplier(s) or transporter(s), Missouri Public Service shall carry forward any remaining over or under recovery balance and include it in the calculation of the next Annual ACA Filing.
- E. The Missouri Public Service Commission will review the reconciliation of each TC account simultaneously with the annual ACA Filing.