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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 16th
day of December, 1994.

In the matter of Associated)
Natural Gas Company's tariff)
sheets to be reviewed in its)
1993-1994 Actual Cost)
Adjustment.)

Case No. GR-94-189

ORDER GRANTING MOTION TO ALLOW WAIVER

On October 21, 1994 Associated Natural Gas Company (ANG) filed tariffs reflecting its revised actual cost adjustment (ACA) component of its purchased gas adjustment for the annual period through October 31, 1995. These tariffs were filed with an effective date of November 1, 1994. On October 28, 1994, and again on November 23, 1994, the Commission granted motions by ANG to extend the effective date of the ACA tariff filing to, first, the December billing period, and then, to the January 1995 billing period, and withdraw the proposed tariff pending negotiations with the Staff of the Commission. The Staff was agreeable to both motions.

On December 2, 1994, ANG filed its final motion in this case, requesting that the Commission grant a waiver of the provisions of tariff sheet 16h. This would allow ANG to file an ACA tariff, on December 20, 1994, amortizing Order 636 costs over a three year, as opposed to a one year, period. This tariff would become effective January 1, 1995.

On December 9, 1994, the Staff of the Commission filed its response to the latest ANG request. The Staff stated that it did not object to the requested waiver but offered clarification of the details

of the ACA tariff. By letter of December 9, 1994, ANG confirmed its understanding with the Staff.

The details which concern the Staff relate to the tariff to be filed, not the granting of the waiver itself. The Commission finds the granting of the waiver of the provisions of tariff sheet no. 16h to be reasonable for reasons as set out in the Commission's previous orders in this case. The Commission will grant the requested waiver.

In regard to the subsequent tariff filing, to take place on December 20, 1994, the Commission notes that the parties agreed upon the fact that the cost recovery would only include the Butler District of ANG's Missouri operating area. In addition, the costs to be recovered are only that unrecovered portion of the FERC Order 636 gas costs. These costs will be allowed a three year amortization, not one year, as currently set out in tariff sheet no. 16h.

The Commission is aware that the unrecovered costs were considered extremely high by both the Staff and ANG, causing the potential for rate shock and loss of customers on the system. ANG stated it had no currently authorized procedure for amortizing this sudden increase over a period of more than one year, thus causing the requested waivers to allow time to negotiate this matter with the Staff. As the result of these negotiations, the current proposal has been submitted, which allows the costs to be amortized over a period of three years. The proposed waiver, therefore, appears to be both reasonable and in the public interest and will be granted.

IT IS THEREFORE ORDERED:

1. That Associated Natural Gas Company is granted a waiver from the requirements of tariff sheet no. 16h in that it may amortize

over a three year period the FERC Order 636 gas costs for the Butler District.

2. That on or before December 20, 1994, Associated Natural Gas Company will file a tariff, effective January 1, 1995, incorporating the above-stated waiver, for Commission approval.

3. That Associated Natural Gas Company may file subsequent tariffs at appropriate times reflecting the above stated tariffs, subject to Commission approval.

4. That the granting of the above waiver by the Commission does not constitute a finding by the Commission that the costs involved are appropriate or prudent, and that those costs are subject to review in a subsequent ACA audit.

3. That this order shall become effective on the date hereof.

BY THE COMMISSION

A handwritten signature in black ink, reading "David L. Rauch". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins,
Kincheloe and Crumpton, CC.,
concur.