

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

In the Matter of the Tariff Filing of                     )  
UtiliCorp United Inc., d/b/a/ Missouri                     )  
Public Service   )

Case No. ER-2001- 294

**FILED<sup>2</sup>**  
NOV 2 2000  
Missouri Public  
Service Commission

**SUGGESTIONS IN SUPPORT OF TARIFF FILING**

Comes Now UtiliCorp United Inc., d/b/a Missouri Public Service ("UtiliCorp") and hereby submits these Suggestions in Support of Tariff Filing to the Missouri Public Service Commission ("Commission"):

**The Facts Behind The Filing**

The facts which give rise to this tariff filing are as follows:

Natural gas prices have increased in recent months from \$2.00 per mcf to more than \$5.00 per mcf. The NYMEX futures price for 2001 summer gas is in the \$4.50-\$5.00/Mcf range. The impact from these gas price increases on the production of electricity and purchased power costs has been and is enormous. The incremental impact on UtiliCorp's Missouri retail electric operations for 2001 is expected to be in the \$25-\$30 million range. The surcharge proposed by the subject tariff filing is designed to offset a portion of these gas price increases.

**How The Tariff Will Work**

The tariff is "experimental" in nature. It is proposed to be in place for two years, reviewed and updated every six months. The tariff consists of a fixed rate surcharge on all existing UtiliCorp jurisdictional electric tariffs. The rate or surcharge per Mwh is based on expected gas fuel costs divided by the estimated tariff sales during the recovery period. The costs for which recovery through the surcharge are sought are natural gas costs over \$3.00/Mcf for gas used for electric generation for retail load and purchased power energy costs above \$30

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per Mwh. Purchased power energy costs above \$78 per Mwh are not included for recovery. The \$78 per Mwh ceiling is based on a gas price of \$6.00 per Mcf. Purchased power energy above \$78 per Mwh would likely have other factors causing that price level other than simply the increase in the cost of gas. Therefore, purchased power energy above this price is not included in the surcharge.

The surcharge will recover current gas fuel expense based on budgeted data. The budgeted fuel costs that will be included in the surcharge for recovery will not exceed 120% of the average of the actual fuels costs for the previous 90 days. This will protect customers from a change in actual costs compared to the budget data. At the end of the initial six month period during which the surcharge is in effect, actual costs will be compared to budgeted costs. Any over-collection of gas costs will be refunded to customers with interest based on UtiliCorp's customer deposit interest rate. Any under-recovery will not be collected.

The tariff provides for a six month fixed-rate surcharge subject to review and update every six months thereafter for a total of two years. Within 60 days after the end of the initial six month period after the tariff is implemented, UtiliCorp will file a report with the Commission which will include:

- Mwh sold
- Amount of surcharge collected from customers
- Actual cost of gas fuel above the cap rate
- Actual cost of purchased power-energy in the \$30-\$78 range
- Amount over/under collected
- Calculation of customer deposit interest rate
- Calculation of interest on over collection
- Refund report to customers

#### **The Legal Basis For The Filing**

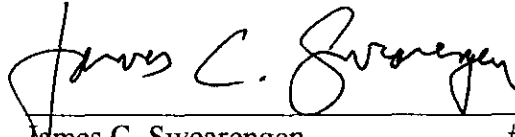
The proposed tariff filing is not prohibited by Missouri law. In *State ex rel. Midwest Gas*

*Users Association, et al. v. Missouri Public Service Commission*, 976 S.W.2d 470 (1998) the Missouri Court of Appeals Western District, in affirming the lawfulness of the purchased gas adjustment clause and related actual cost adjustment clause, recognized that the Missouri General Assembly has impliedly approved the principle that the Commission has the authority to adjust rates outside a general rate proceeding. The Court also affirmed the authority of the Commission to treat one item of operating expense differently than others. Specifically, the Court held that the Commission may treat the fuel cost component of a rate differently than other components provided that the utility sets a specific amount and posts it as a part of its rates. This is precisely what will happen under the proposed tariff. The surcharge rate will be a fixed, preset rate dealing solely with gas fuel costs. It is not a "formula" simply stuck into the rate schedules. Thus, there is no violation of the "filed rate doctrine" or the prohibition against single-issue ratemaking.

The proposed tariff also has other indicia of lawfulness discussed by the Court in the MGUA case. For example, the Commission has the ultimate authority to approve the tariff initially. In addition, the rate is subject to later Commission reviews and updates with refunds to customers for any over-collection. Consequently, there is no abdication of ratemaking authority on the part of the Commission. Also, there is no improper retroactive ratemaking as the surcharge is applied prospectively.

In view of the foregoing, UtiliCorp respectfully urges the Commission to allow the subject tariff to take effect on the requested effective date.

Respectfully submitted,



James C. Swearengen #21510  
Brydon, Swearengen & England P.C.  
P.O. Box 456  
Jefferson City, MO 65102  
Telephone (573) 635-7166  
Facsimile (573) 635-0427  
E-Mail LRackers@brydonlaw.com

Attorneys for UtiliCorp United Inc.

**Certificate of Service**

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered, on this 2ND day of NOVEMBER, 2000, to all parties of record.

