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October 16, 2000

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Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

FILED²
OCT 16 2000
Missouri Public
Service Commission

RE: Case No. GO-2001-249

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **MOTION TO OPEN CASE**.

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

Robert V. Franson
Assistant General Counsel
(573) 751-6651
(573) 751-9285 (Fax)

RVF:sw
Enclosure
cc: Counsel of Record

FILED

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

OCT 16 2000

Missouri Public
Service Commission

In the matter of an Investigation into various)
issues related to UtiliCorp United Incorporated's)
Gas Supply Services Department)

Case No. GO-2001-249

MOTION TO OPEN CASE

COMES NOW the Staff of the Missouri Public Service Commission ("the Staff") and for its Motion to Open Case states:

1. UtiliCorp United Incorporated ("UtiliCorp") is a Missouri regulated electrical and gas corporation, doing business as Missouri Public Service Company. §386.250, §393.140, RSMo 1994.

2. Utilicorp currently is involved in the six following open cases before the Public Service Commission of the State of Missouri ("Commission"): GR-99-435, GR-2000-520, GM-2000-637, GE-2000-639, EM-2000-292, and EM-2000-369.

3. The Chair of the Commission received an anonymous letter that raised allegations of impropriety concerning the operation of UtiliCorp's Gas Supply Services Department in Missouri and other states. The Chair sent a Memo to the parties in the open Utilicorp cases informing them of the receipt of the letter. A copy of the letter and the Chair's Memo is attached hereto as Attachment A.

4. The letter identifies two specific allegations of alleged impropriety. The first allegation is that UtiliCorp's regulated Gas Supply Services Department is selling "put" options to gas suppliers. A "put" is an options contract that, for a premium paid to the

option seller, gives the buyer the right to sell gas at a specific price ("strike price") within a certain time frame. A person purchases a put in hope of lower prices and sells a put in hope of rising gas prices. The letter states that the strike price is the first of the month index. The letter suggests that, in the event that the put is exercised, UtiliCorp's regulated business buys gas at above market prices, but the put premium revenues are not used to offset the higher gas costs that are passed on to the consumer. Instead the put premium revenues are added to corporate profits to meet their profit goal.

5. The second allegation is that UtiliCorp is not posting all of its capacity for release. The capacity that is not posted is sold to affiliates at the lowest possible amount. The lower capacity release revenues for UtiliCorp's regulated business is also a lower expense for UtiliCorp's non-regulated business. This practice will increase overall corporate profits by having regulated customers paying more than otherwise necessary to the Company.

6. Staff takes these allegations seriously. These allegations suggest that UtiliCorp's Gas Supply Services Department is successfully increasing profits in a manner that the Staff's audit process will not detect.

7. The issue of UtiliCorp not posting all of its capacity for release was identified and litigated as an issue by Staff in Case Nos. GR-95-273 and GR-96-192.

8. The letter suggests that the same types of improprieties are occurring in four other states. Staff is aware that Michigan, Minnesota, and Iowa have received similar letters.

9. Staff believes that these matters warrant an investigation. The letter also raises questions about whether UtiliCorp has been able to evade the Staff's audit process and

whether the Staff needs to revise its audit procedure. Further, the allegations suggest that the Utilicorp gas purchasing structure itself may lead to excessive costs to captive consumers.

10. These matters can best be addressed by opening a case to investigate these issues. The results of the investigation, if warranted, can be applied in the open Utilicorp ACA docket, Case No. GR-99-435.

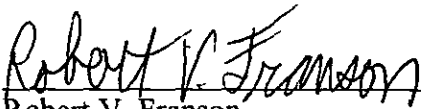
11. The investigation concerning these matters should begin immediately. The Staff suggests that the Commission provide notice to all parties in Case Nos. GR-99-435, GR-2000-520, GM-2000-637, GE-2000-639, EM-2000-292, and EM-2000-369 and set an intervention deadline.

12. The Staff is serving a copy of this Motion on all parties of record in the aforementioned cases.

WHEREFORE, the Staff respectfully requests that the Commission open a docket for the purpose of investigating the aforementioned matters.

Respectfully submitted,

DANA K. JOYCE
General Counsel


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

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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 16th day of October, 2000.

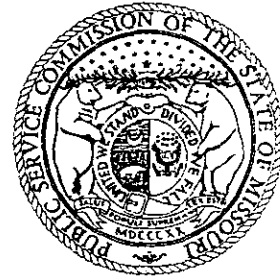
Robert V. Framson

Notice of *Ex Parte* Contact

TO: Records Department:
All Parties in Case No. GR-2000-520
All Commissioners GM-2000-637
GE-2000-639
EM-2000-292
EM-2000-369

FROM: Chair Sheila Lumpe

DATE: October 6, 2000



On September 9, 2000, I received a anonymous letter concerning UtiliCorp United Incorporated's Gas Supply Services Department. The Commission is currently considering the same issues as to those set out in this document in Case Numbers GR-2000-520, GM-2000-637, GE-2000-639, EM-2000-292 & EM-2000-369. The Commission is bound by the same *ex parte* rule as a court of law.

Pursuant to 4 CSR 240-4.020(4) it is improper for any person to attempt to sway the judgement of the Commission by undertaking, directly or indirectly, outside the hearing process, to bring pressure or influence to bear upon the Commission, or the Regulatory Law Judge assigned to the proceeding.

Whenever such contact might occur 4 CSR 240-4.020(a) states: as *ex parte* communications (either oral or written) may occur inadvertently, any member of the Commission or Regulatory Law Judge who received the communication shall immediately prepare a written report concerning the communication and submit it to the Chair and each member of the Commission. The report shall identify the person(s) who participated in the *ex parte* communication, the circumstances which resulted in the communication, the substance of the communication, and the relationship of the communication to a particular matter at issue before the Commission.

Therefore, out of an abundance of caution, I think it appropriate to submit this notice of *ex parte* contact pursuant to the standards set out in the rules cited above. This will ensure that any party to this case will have notice of the attached information and a full and fair opportunity to respond to the comments contained therein.

cc: Executive Director
Secretary/Chief Regulatory Law Judge
General Counsel

Ms. Sheila Lumpe
Missouri Public Service Commission
200 Madison St.
Box 360
Jefferson City, Mo. 65102-0360

Dear Ms. Lumpe,

I would like to bring to your attention certain business practices that are common at UtiliCorp United Incorporated's Gas Supply Services Department. You maybe unaware that the unit is more than just a supply services group. The unit is also a significant profit center for USU Utilities (previously UED). The overall unit has a profit goal of nearly \$10,000,000.00. Personnel are paid bonuses based on the value that can be extracted from managing the assets paid for by the Missouri Public Service rate- payers. Value is extracted in a number of ways. One way that would not be detectable to staff audit efforts is selling a first of the month put to suppliers and invoicing the put premium on a separate invoice that would never be included in audit documentation. If prices drop the supplier puts first of the month gas to MPS. A second example of ways the group extracts value is capacity releases. Operation personnel extract one to two cents per release by doing buy sells with MPS capacity instead of doing a posted release. They look at the lowest credit amount possible to report instead of maximizing the capacity release credit. This is done due to the push for significant earnings from the group as stated previously. The group will post a certain amount of capacity but generally will hold back some portion in order to do incremental deals during the month. Do to the emphasis on earnings GSS's top priority is earnings not providing efficient, reliable, economic natural gas supplies. You may not be the person that deals directly with UtiliCorp but I would appreciate it if you would forward this information to the appropriate personnel within your organization.

As I am still employed by UCU I cannot divulge my identity. But I feel that these business practices are not appropriate and should be brought to your attention. This is occurring at other UCU LDC's in Michigan, Minnesota, Iowa, and Nebraska. If I hear of you pursuing these issues and if I can provide you information I will.

Service List for

Case No. _____

October 16, 2000

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