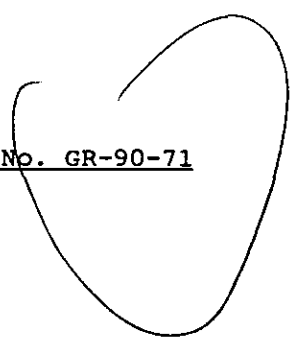


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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Union Electric Company's filing of a
purchased gas adjustment factor to be audited in its
1989-1990 actual cost adjustment filing.

)
) Case No. GR-90-71
)
)



APPEARANCES

William E. Jaudes, General Counsel, and Ronald K. Evans, Attorney, Union Electric Company, Post Office Box 149, St. Louis, Missouri 63166, for Union Electric Company.

Lewis R. Mills, Jr., First Assistant Public Counsel, Office of Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of Public Counsel and the public.

Jeffrey A. Keevil, Senior Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

HEARING EXAMINER: Edward C. Graham.

REPORT AND ORDER

Procedural History

On August 22, 1990, Union Electric Company (Company) submitted tariff sheets for Commission approval that, among other things, reflected recalculated Actual Cost Adjustment (ACA) factors in all three of the Company's Missouri service areas. The proposed ACA factors resulted from over- and undercollection of gas costs during the twelve-month period from August 1, 1989 to July 31, 1990.

On August 31, 1990, the Commission, on the Missouri Public Service Commission Staff's (Staff) recommendation, gave interim approval subject to refund effective September 1, 1990 to the submitted tariff sheets reflecting the Actual Cost Adjustment (ACA) factors in the three Missouri service areas for the twelve-month period ending with Company's July, 1990 revenue month.

On August 1, 1991, Staff filed its recommendation proposing certain adjustments to the Company's 1989-1990 ACA filing.

On November 18, 1991, Staff filed a Motion To Establish Procedural Schedule wherein Staff stated that the parties had been able to resolve most of the issues raised in Staff's recommendation filed on August 1, 1991. Said issues were resolved pursuant to a Letter Agreement between the parties dated November 19, 1991. Staff's Motion To Establish Procedural Schedule also stated that two matters remained to be resolved.

On November 22, 1991, the Commission issued its Order Establishing Procedural Schedule.

On January 21, 1992, Staff filed a Motion For Order Approving Agreement And Closing Docket, stating therein that based on discussions with Company's personnel and discovery issued by the Staff in connection with Company's filing of direct testimony, it had decided to withdraw its proposed adjustments to Company's ACA filing for 1989-1990 pertaining to the two unresolved issues which necessitated the establishment of a procedural schedule.

On February 20, 1992, Staff filed a Supplemental Motion For Order Approving Agreements And Closing Docket requesting approval of a Supplemental Letter Agreement dated February 6, 1992.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

The Commission finds that Company is a Missouri corporation authorized to do business in the state of Missouri with its principal office being Post Office Box 149, St. Louis, Missouri. The Company, among other things, is a local distributor (LDC) of natural gas in three Missouri service areas. The wholesale gas costs incurred by the Company change periodically as a result of the Federal Energy Regulatory Commission's (FERC) authorized changes in wholesale rates. To reflect these changes, the Commission has approved a Purchase Gas Adjustment

(PGA) clause for Company which allows for interim rate changes subject to refund throughout the Company's revenue year. The Actual Cost Adjustment (ACA) account for the Company tracks the overcollection and undercollection of gas costs during the course of the Company's revenue year. In September of each year, the net balances are cleared and distributed over the following twelve-month period.

The Company and Staff have entered into a Letter Agreement dated November 19, 1991, attached hereto as Appendix A and incorporated herein by reference and a Supplemental Letter Agreement dated February 6, 1992, attached hereto as Appendix B and incorporated herein by reference. The Commission determines that there are no outstanding issues involved in this case and finds the agreement to be reasonable and determines that the agreement should be adopted in disposition of all issues reflecting the final ACA factors for Company's 1989-1990 revenue period.

The Commission finds that the Company's Actual Cost Adjustment filing for the 1989-1990 revenue period as agreed upon is reasonable and further finds that the agreed-upon ACA balances for 1989-1990 will be reflected in Company's 1991-1992 ACA filing since the 1990-1991 ACA filing has already been made.

The Commission finds that the effect of the agreed-upon adjustments on Company's service area supplied by Texas Eastern Transmission Corporation decreases gas costs to firm customers by \$3,548 and decreases gas costs to interruptible customers by \$1,019.

The Commission finds that the effect of the agreed-upon adjustments on Company's service area supplied by Natural Gas Pipeline Company of America increases revenues from firm customers by \$1,703.

The Commission finds that the effect of the agreed-upon adjustments on Company's service area supplied by Panhandle Eastern Pipe Line Company decreases revenues \$13,134 and increases gas costs \$24,014 to firm customers. The effect

to interruptible customers decreases revenues \$17,373 and decreases gas costs \$24,534.

The Commission also finds that the agreed-upon adjustments between Staff and Company pursuant to the Supplemental Letter Agreement dated February 6, 1992 are not opposed by Public Counsel.

The Commission, finally, finds that since all matters at issue in this docket have been resolved, the case should be closed.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The Company is a public utility subject to the jurisdiction of the Commission pursuant to Chapters 386 and 393, R.S.Mo. (Supp. 1991).

The Commission determined in the case of *In Re Laclede Gas Company*, 10 Mo. P.S.C. (N.S.) 442 (1962), that the Purchased Gas Adjustment (PGA) mechanism is a simplified method of regulation alleviating the need for an LDC (local distribution company) to constantly file rate cases reflecting the difference in wholesale rates by allowing the immediate pass-through to retail customers of any difference in wholesale natural gas rates. The purchased gas cost is not controlled by the Commission or the LDC, but is subject to federal regulation. The Actual Cost Adjustment (ACA) is a reconciling or truing-up of annual gas costs with annual gas cost revenue recoveries.

For rate-making and rate design purposes, the Commission may accept a stipulation of settlement on any contested matters submitted by the parties. The Commission concludes that the matters of agreement as set out in the Letter Agreement dated November 19, 1991 and the Supplemental Letter Agreement dated February 6, 1992 and attached hereto as Appendix A and Appendix B, respectively, are reasonable and proper and should be accepted and adopted.

IT IS THEREFORE ORDERED:

1. That the Missouri Public Service Commission adopts the Letter Agreement dated November 19, 1991 and attached as Appendix A to this Report And Order and adopts the Supplemental Letter Agreement dated February 6, 1992 and attached as Appendix B of this Report And Order, which adjust the Union Electric Company's Actual Cost Adjustment (ACA) filing for its 1989-1990 revenue period.

2. That the Actual Cost Adjustment (ACA) as filed and approved on an interim basis subject to refund for Union Electric Company's 1989-1990 revenue period be approved on a permanent basis as filed.

3. That the beginning balances for Union Electric Company's Actual Cost Adjustment (ACA) filing for the revenue period of 1991-1992 shall reflect the following experiences from the 1989-1990 Actual Cost Adjustment (ACA) revenue period as adjusted and agreed to in this Report And Order:

Texas Eastern Transmission Corporation Service Area:

- A. Increase of \$3,548 for firm customers
- B. Increase of \$1,019 for interruptible customers

Natural Gas Pipeline Company of America Service Area:

- A. Increase of \$1,703 for firm customers

Panhandle Eastern Pipe Line Company Service Area:

- A. Decrease of \$37,147 for firm customers
- B. Increase of \$7,162 for interruptible customers

4. That Case No. GR-90-71 be hereby closed.

5. That this order shall become effective on the 17th day of March,
1992.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Mueller, Perkins
and Kincheloe, CC., concur.
Rauch, C., absent.

Dated at Jefferson City, Missouri,
on this 6th day of March, 1992.

(314) 554-2156



November 19, 1991

Mr. Jeffrey A. Keevil
Assistant General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

RE: In the matter of Union Electric Company's filing of
a Purchased Gas Adjustment factor to be audited in
its 1989-90 Actual Cost Adjustment filing.
Case No. GR-90-71

Dear Mr. Keevil:

This letter is to confirm in writing the agreements reached between the Missouri Public Service Commission Staff (Staff) and Union Electric Company (UE) at a conference held at the Commission's offices in Jefferson City on November 5, 1991 concerning adjustments to UE's above referenced ACA filing which were proposed by Staff in its Recommendation dated August 1, 1991 (Staff Recommendation).

Staff and UE agreed as follows to the proposed adjustments:

- (1) UE agreed to Staff's proposed miscellaneous correction adjustments described under the heading "TETC CORRECTION ADJUSTMENTS" on page 2 of the Staff Recommendation.
- (2) UE agreed to Staff's proposed miscellaneous correction adjustment of \$1,703 described under the heading "NGPL CORRECTION ADJUSTMENTS" on page 2 of the Staff Recommendation.
- (3) Staff agreed to withdraw its proposed gas cost decrease of \$23,593 to reflect an overpayment by UE to spot producer Texaco Gas Marketing (described under the heading "NGPL CORRECTION ADJUSTMENTS" on page 2 of the Staff Recommendation) with the following condition: (a) If UE

receives a refund for such overpayment before July 31, 1992, UE must include said refund in its 1991-1992 ACA calculations as a credit to gas cost; or (b) if said refund has not been received before July 31, 1992, UE must include Staff's proposed \$23,593 decrease adjustment in the beginning ACA balance of the 1991-1992 ACA filing and any subsequent receipt of a correction refund would then not be included in any future ACA filings. After the November 5 conference, UE determined that the overpayment was resolved between UE and Texaco Gas Marketing prior to July 31, 1992, and therefore, UE agrees to comply with condition (a) above.

- (4) Staff and UE agreed that Staff's proposed revenue reduction of \$6,218 relating to UE's miscalculation of Missouri State Prison (MSP) billings credited to City Franchise Taxes instead of Gas Service (which is described under the heading "PEPL CORRECTION ADJUSTMENTS" on page 3 of the Staff Recommendation) will be more appropriately corrected by a direct adjustment to the MSP's final settlement bill (expected in January 1992) than by an ACA adjustment. UE agrees to provide Staff evidence of said bill adjustment.
- (5) UE agreed to Staff's proposed revenue reduction of \$13,134 relating to the treatment of MSP billing errors and the several miscellaneous corrections referred to under the heading "PEPL CORRECTION ADJUSTMENTS" on page 3 of the Staff Recommendation.
- (6) Staff agreed to withdraw its proposed gas cost increase of \$67,456 to reflect the net imbalance of system supply and end-user imbalances described under the heading "PEPL CORRECTION ADJUSTMENTS" on page 3 of the Staff Recommendation. Staff reserves its right to propose

Mr. Jeffrey A. Keevil
Page 3
November 19, 1991

adjustments for imbalances in any ACA filings by UE subsequent to the 1989-90 filing involved in this case.

Attached hereto and made a part hereof is a schedule which reflects the net effects on UE's filed ACA balances of the foregoing adjustments agreed to between UE and Staff.

It was stipulated and agreed at the November 5, 1991 conference that only the following issues remain to be resolved and that only these issues are to be addressed in any testimony to be offered to the Commission in this case:

- (1) The Staff's recommended decrease of gas costs to firm customers by \$36,563 on the basis of alleged imprudence on the part of UE on the Texas Eastern Transmission Corporation portion of its system, more fully described under "TETC PRUDENCE ADJUSTMENTS" on pages 1 and 2 of the Staff Recommendation; and
- (2) The Staff's recommended decrease of gas costs to firm customers by \$199,742 and to interruptible customers by \$2,857 on the basis of alleged imprudence on the part of UE on the Panhandle Eastern Pipeline Company portion of its system, more fully described under "PEPL PRUDENCE ADJUSTMENTS" on pages 2 and 3 of the Staff Recommendation.

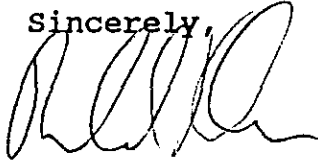
It was further agreed that the foregoing adjustments agreed to between UE and Staff and any adjustments resulting from a resolution of or Commission order concerning the above unresolved issues will be reflected in UE's 1991-1992 ACA filing unless otherwise ordered by the Commission.

Mr. Lewis Mills of the Office of the Public Counsel attended the November 5, 1991 conference and stated that his Office does not oppose the foregoing agreements reached between Staff and UE.

Mr. Jeffrey A. Keevil
Page 4
November 19, 1991

If this letter accurately reflects your understanding of the agreements reached at the November 5 conference, please indicate the Staff's acceptance thereof by signing below and returning one copy to me.

Sincerely,



Ronald K. Evans
Attorney

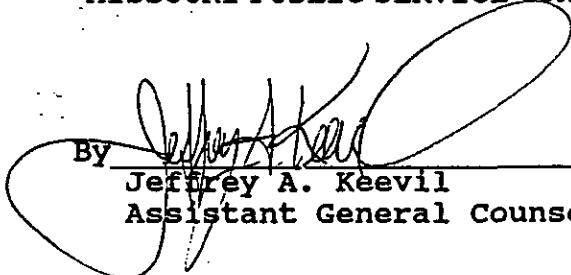
RKE:alb
Attachment

cc: w/attach.: Lewis Mills,
Office of the Public Counsel

Agreed to and accepted on this 20th day of November 1991.

MISSOURI PUBLIC SERVICE COMMISSION STAFF

By

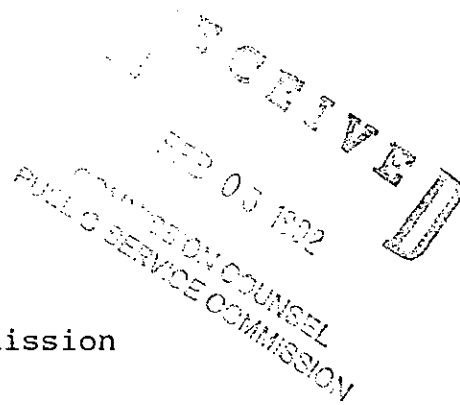


Jeffrey A. Keevil
Assistant General Counsel



February 6, 1992

Mr. Jeffrey A. Keevil
Senior Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102



RE: In the matter of Union Electric Company's filing of a
Purchased Gas Adjustment factor to be audited in its
1989-90 Actual Cost Adjustment filing.
Case No. GR-90-71

Dear Mr. Keevil:

This letter is to supplement the letter agreement between the Missouri Public Service Commission Staff (Staff) and Union Electric Company (UE) dated November 19, 1991 (Letter Agreement) concerning adjustments to UE's above referenced ACA filing which were proposed by Staff in its Recommendation dated August 1, 1991 (Staff Recommendation). The Letter Agreement confirmed in writing the agreements reached between the Staff and UE at a conference held on November 5, 1991.

Staff and UE stipulated and agreed at page 3 of the Letter Agreement that only the two following issues remained to be resolved and that only those issues were to be addressed in any testimony to be offered to the Commission in this case:

- (1) The Staff's recommended decrease of gas costs to firm customers by \$36,563 on the basis of alleged imprudence on the part of UE on the Texas Eastern Transmission Corporation portion of its system, more fully described under "TETC PRUDENCE ADJUSTMENTS" on pages 1 and 2 of the Staff Recommendation; and
- (2) The Staff's recommended decrease of gas costs to firm customers by \$199,742 and to interruptible customers by \$2,857 on the basis of alleged imprudence on the part of UE on the Panhandle Eastern Pipeline Company portion of its system, more fully described under "PEPL PRUDENCE ADJUSTMENTS" on pages 2 and 3 of the Staff Recommendation.

The purpose of this supplement to the Letter Agreement is to reflect the resolution by the Staff and UE of these two

Mr. Jeffrey A. Keevil
Page 2
February 6, 1992

remaining issues. Based on Staff's discussions with UE personnel and its discovery issued in connection with UE's filing of direct testimony on December 23, 1991, Staff decided to withdraw its proposed adjustments to UE's ACA filing pertaining to the two unresolved issues. Therefore, with the Letter Agreement which resolved all other issues and this supplement which resolves the two remaining issues, Staff and UE agree that there are now no outstanding issues involved in this case.

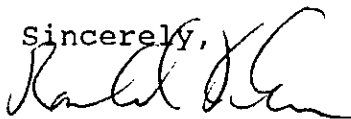
The effect of all Staff's adjustments on UE's service area supplied by Texas Eastern Transmission Corporation decreases gas costs to firm customers by \$3,548 and decreases gas costs to interruptible customers by \$1,019. As agreed to between UE and Staff in the Letter Agreement, these adjustments will be reflected in UE's 1991-1992 ACA filing unless ordered otherwise by the Commission. The net effect of the adjustments will increase the 1991-1992 ACA balances \$3,548 and \$1,019 for firm and interruptible customers, respectively.

The effect of all Staff's adjustments on UE's service area supplied by Natural Gas Pipeline Company of America increases revenues from firm customers by \$1,703. The net effect to UE's 1991-1992 ACA filing will increase the firm customers' ACA balance by \$1,703.

The effect of all Staff's adjustments on UE's service area supplied by Panhandle Eastern Pipeline Company decreases revenues \$13,134 and increases gas costs \$24,014 to firm customers. The effect to interruptible customers decreases revenues \$17,373 and decreases gas costs \$24,534. The net effect to UE's 1991-1992 ACA filing will decrease the firm customers' ACA balance \$37,147 and increase the interruptible customers' ACA balance \$7,162.

Mr. Lewis Mills of the Office of the Public Counsel was conferred with regarding this supplement to the Letter Agreement and stated that his Office does not oppose the foregoing agreements between Staff and UE.

Sincerely,



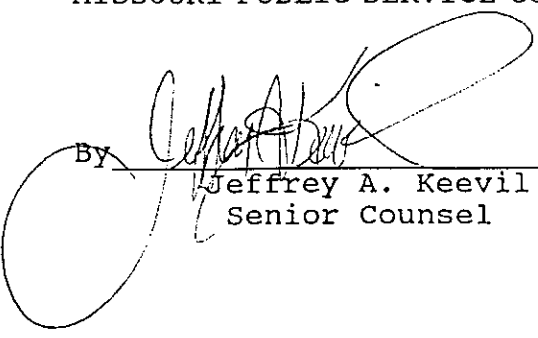
Ronald K. Evans
Attorney

cc: Lewis Mills
Office of the Public Counsel

Mr. Jeffrey A. Keevil
Page 3
February 6, 1992

Agreed to and accepted on this 18th day of February,
1992.

MISSOURI PUBLIC SERVICE COMMISSION STAFF

By 

Jeffrey A. Keevil
Senior Counsel