

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 2nd
day of June, 1995.

In the matter of the investigation)	
of integrated gas resource planning)	<u>Case No. GO-95-329</u>
rules by the Staff of the Missouri)	
Public Service Commission.)	

**ORDER REGARDING JOINT MOTION TO DETERMINE THE NEED
FOR INTEGRATED RESOURCE PLANNING RULES FOR GAS UTILITIES**

This docket was opened as the result of the above-stated motion, filed by a group of regulated gas utilities serving the State of Missouri, hereinafter referred to as the gas group. In Case No. GO-94-171, as the result of a settlement agreement, a procedure was commenced, expected to lead to a rulemaking, in which discussions took place as to the scope and substance of potential integrated resource planning rules for gas utilities in the State of Missouri. On April 13, 1995, a presentation was made to the Commission for the purpose of setting out the positions of the various parties in regard to the progress and form proposed rules might take.

The above motion was filed by various gas utilities in the state as a response to what they perceived as a foregone conclusion by the Staff of the Commission that integrated planning rules for gas utilities would be imposed. The movants seek a threshold determination from the Commission that such rules are necessary. The gas group points out that development of such rules will in all likelihood be time-consuming and expensive for all concerned. In addition, the gas group states that, rather than hold workshops which they feel are an inefficient way to

develop these rules, the Commission should instruct the Staff to prepare draft rules and submit those rules to interested parties, principally for purposes of cost-benefit analysis.

Response time to this motion was offered by the Commission, and responses were filed by the Staff, OPC, Laclede Gas Company, and Kansas City Power and Light.

In its response, the Staff of the Commission goes in to extensive detail in regard to its defense of the concept of integrated resource planning rules for gas, the utility and potential cost-effectiveness of such rules, and the necessity of workshops.

The Office of Public Counsel, in its response, agrees that the workshops should take place in order to develop a consensus regarding appropriate rules. It can be inferred from the response of OPC that OPC feels the necessity of integrated resource planning rules themselves.

In a separate response, Laclede Gas Company expresses the same concerns as the gas group regarding subjecting proposed rules to cost-benefit analysis, and the need to draft a complete set of rules before the commencement of workshops. Laclede proposes a framework to be adopted for the completion of the IRP process.

Finally, Kansas City Power and Light, a regulated electric company, offers some elucidation in regard to the intent of IRP rules in general and those currently imposed on the electric utilities in this state in particular. Basically, KCPL reasons that integrated resource planning rules should be imposed on both gas and electric utilities in a consistent fashion, or not at all.

The Commission has given full consideration to the arguments of the parties. The Commission would point out that, during the course of the IRP process for the gas utilities, the Commission has been aware of the

concerns of the parties. In addition, until rules may be finally enacted, no prejudgment has occurred on the part of the Commission as to the outcome of the integrated resource rulemaking process nor as to the general or specific contents of such rules. The Commission would emphasize that all parties' positions will be given full, fair and serious consideration prior to any potential imposition of rules, just as was the case in the integrated resource rulemaking for the electric utilities.

It is clear that, in a post-636 era of governmental restraint and greater freedom in the operation of the competitive market, additional burdensome regulation imposed by this Commission would be undesirable and regarded as anathema. It is equally clear that capable long-range planning is no longer an option, but a business necessity for those utilities that hope to survive in an increasingly competitive environment. It is the responsibility of the Commission to the citizens of this state to insure that all reasonable and prudent steps have been taken to provide efficient and economical service for the next century.

The Commission would restate, therefore, that the purpose of IRP rules is to promote well-supported, thorough, long-range planning by regulated utilities. The Commission would add that one of the fundamental assumptions that the Commission has already made in regard to this type of rulemaking is that any resultant rules should not be prescriptive in nature. Decision-making should remain with utility managers, not the Commission. The Commission has not to this point, and has no intention, of assuming, either directly or in a *de facto* fashion, the management prerogatives and associated responsibilities for strategic decision-making. It is far wiser, particularly in a free market economy, to allow utility managers the flexibility to make both overall strategic planning decisions and the more routine decisions in a relatively unencumbered fashion.

An additional concern of the responding utilities involves the efficiency and positive cost-benefit of any proposed IRP rules. The Commission has no desire to burden the utilities or its own Staff with pointless and expensive bureaucratic requirements, particularly those which add nothing to the long-term effort to provide safe and adequate service at reasonable rates to the consuming public.

Several parties have proposed that the Commission require the Staff to draft a complete set of proposed rules prior to workshops, meetings, negotiations, or comments taking place. The Staff is opposed to this. Both sides of this dispute allege efficiency considerations as the basis for their respective positions.

Finally, the Commission has considered the concern of some parties that any revision of the current PGA mechanism will have a profound effect on the nature of proposed IRP rules and that, therefore, any rulemaking should be postponed until the PGA issue is resolved in another docket.

With the above arguments in mind, the Commission has determined that the wisest course of action at the present time is to postpone consideration as to whether the Commission should go forward with some type of planning rule for gas. This will allow the Commission time to complete the first round of IRP filings for the electric utilities and to assess the relative value of IRP regulations for both the electric utilities and, potentially, for gas utilities. An additional period of time will also enable the Commission to gain additional experience and insight into precisely which areas require regulatory oversight and which do not in the post-636 regulation of gas utilities.

IT IS THEREFORE ORDERED:

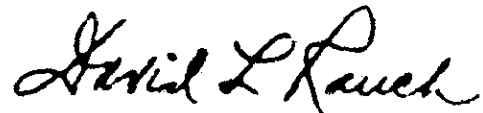
1. That the joint motion to obtain determination of the need for integrated resource planning rules for gas utilities and to defer workshops is satisfied as set out above.

2. That workshops and all other efforts by the Staff of the Commission to forward the preparation of integrated resource planning rules for gas utilities are cancelled pending further order of the Commission.

3. That the Commission will reconsider the necessity for planning rules for gas utilities after the final first-round electric utility IRP filing is completed and approved.

4. That this order shall become effective on June 12, 1995.

BY THE COMMISSION



**David L. Rauch
Executive Secretary**

(S E A L)

Mueller, Chm., McClure and
Perkins, CC., Concur.
Kincheloe and Crumpton, CC.,
Absent.