

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY

April 19, 2001

CASE NO: GR-2001-461

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

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

Dean L. Cooper
Brydon, Swearngen & England P.C.
P. O. Box 456
Jefferson City, MO 65102

Enclosed find certified copy of a NOTICE in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 19th
day of April, 2001.

In the Matter of Missouri Public Service's)
Purchased Gas Adjustment Factors to be Reviewed) Case No. GR-2001-461
in its 2000-2001 Actual Cost Adjustment) Tariff No. 200100868

ORDER GRANTING VARIANCE

This order grants the motion filed on March 29, 2001, by UtiliCorp United Inc., d/b/a Missouri Public Service, with the Missouri Public Service Commission for "waiver or variance" from certain provisions of UtiliCorp's P.S.C. No. 5. Although the words are practically synonymous, under Chapter 386 of the Revised Statutes of Missouri, "waiver" means a suspension and "variance" means a modification of a Commission rule. Thus, the Commission treats the motion as a motion for a variance.

UtiliCorp stated that it is a Delaware corporation, in good standing, with its principal office in Kansas City, Missouri, authorized to conduct business in Missouri through its UtiliCorp operating division. UtiliCorp provides electric and natural gas in its service areas subject to the jurisdiction of the Commission. A certified copy of UtiliCorp's Certificate of Corporate Good Standing-Foreign Corporation and fictitious name registration issued by the Missouri Secretary of State was filed in case number EM-2000-292 and was incorporated by UtiliCorp's reference to it under

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Commission Rule 4 CSR 240-2.060(1)(G). UtiliCorp stated that it has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates. UtiliCorp also stated that it has no annual report or assessment fees that are overdue.

UtiliCorp's Motion

UtiliCorp filed its motion under Commission Rule 4 CSR 240-2.060(14), asking for a variance from part of UtiliCorp's P.S.C. No. 5, 4th Revised Sheet No. 34, and P.S.C. No. 5, 5th Revised Sheet No. 35.

UtiliCorp noted that on February 23, 2001, it filed tariff sheets reflecting unscheduled changes in its Purchased Gas Adjustment factors. The Commission approved interim rates established by the tariffs in its Order Approving Interim Rates, effective March 9, 2001. Part of UtiliCorp's unscheduled PGA filing requested a variance allowing it to forego carrying costs that would otherwise be applied to the Deferred Carrying Cost Balance portion (whether over- or under-recovered) that exceeds ten percent of UtiliCorp's Annual Gas Cost Level. UtiliCorp requested that the variance begin the day the interim rates became effective and end the day the rates change. Similar circumstances, UtiliCorp alleges, exist at the time of its motion as existed at the time UtiliCorp filed its unscheduled PGA and request for variance. UtiliCorp pointed out that there were unprecedented price increases in the natural gas markets during the winter months. UtiliCorp delayed filing an unscheduled PGA, otherwise permitted by its tariffs, until late February to mitigate the impact

on its customers. The delay stabilized UtiliCorp's rates during the winter months. UtiliCorp claimed, however, that it also increased the amount of the under-recovery in UtiliCorp's DCCB.

UtiliCorp noted that the rates in the Commission's Order Approving Interim Rates have now (i.e., at the time it filed its motion) been in effect for over two weeks. The rates, UtiliCorp argues, have not reduced the under-recovery balance enough and it remains significant. Accordingly, UtiliCorp proposes that the interim rates which were approved by the Commission on March 6, 2001, remain in effect until the filing of its next Winter PGA, i.e., during the month of October or November, 2001.

UtiliCorp's P.S.C. No. 5, 4th Revised Sheet No. 34 and P.S.C. No. 5, 5th Revised Sheet No. 35 require that a summer PGA be filed between March 15 and April 4 each year and that the rates set not exceed certain parameters. UtiliCorp proposes that it not make a PGA filing in the period and that the current rates remain in effect.

This approach, says UtiliCorp, would serve two purposes: (1) it would reduce the under-recovery balance. Because summer is a time of limited natural gas use, the increased price during this period should be more manageable than attempting to set rates in the future to recover the balance combined with winter's higher use. UtiliCorp alleges that failure to reduce the balance now would result in even sharper increases next season; and (2) UtiliCorp would forego carrying costs collection on the DCCB while the interim rates remain in effect.

UtiliCorp stated that it had already provided the Staff of the Commission and the Office of the Public Counsel the documentation that would be provided with a summer PGA filing.

Therefore, UtiliCorp requested a variance from UtiliCorp's P.S.C. No. 5, 4th Revised Sheet No. 34, and P.S.C. No. 5, 5th Revised Sheet No. 35 to allow UtiliCorp to forego its otherwise required summer PGA filing and to thereby leave in effect UtiliCorp's current interim rates until the filing of UtiliCorp's next winter PGA. According to UtiliCorp, good cause exists for granting the variance because it will reduce the under-recovery balance during a less onerous time than the winter heating season and therefore mitigate what would otherwise likely be a sharp increase to address such under-recovery during the next winter heating season.

Staff's Recommendation

On April 11, 2001, the Staff filed its recommendation regarding UtiliCorp's motion for variance. Staff noted that UtiliCorp recently filed an Unscheduled Winter Season PGA with those rates going into effect on March 9, 2001. UtiliCorp, according to the recommendation, has a significant under-recovery of its DCCB. Also, UtiliCorp was granted a waiver from its Tariff Sheet No. 36 to allow UtiliCorp to forego adding interest to its DCCB until the next PGA change. Therefore, as long as the current PGA rates remain in effect, UtiliCorp will not add interest on the under-recovery to its DCCB.

Staff stated that under UtiliCorp's Motion, the current PGA rates for UtiliCorp's Systems would remain the same. UtiliCorp's authorized firm PGA rates are \$0.78774 per Ccf for the Southern System (serving

communities such as Sedalia and Clinton), \$0.86348 per Ccf for the Northern System (serving communities such as Chillicothe and Trenton), and \$1.16476 per Ccf for the Eastern System (serving communities such as Rolla and Owensville).

In Staff's opinion, maintaining the current Unscheduled Winter PGA rates until November 2001 would help diminish the DCCB before the next Actual Cost Adjustment change in UtiliCorp's Scheduled Winter PGA change in November 2001. Delaying the recovery of the DCCB, Staff claims, until after November 2001, would exacerbate the possibly higher natural gas prices in effect during the upcoming winter season.

According to Staff, UtiliCorp's filing affects three open ACA cases: GR-2001-461, under which this PGA waiver is filed, established to track UtiliCorp's PGA factors to be reviewed in its 2000-2001 ACA filing; and GR-2000-520 and GR-99-435 established to track UtiliCorp's PGA factors to be reviewed in its 1999-2000 and 1998-1999 ACA filings, respectively.

The Staff stated that it has reviewed the motion and recommends the Commission grant the variance requested by UtiliCorp on March 29, 2001. Interim rates, subject to refund, should be maintained, according to Staff, pending final Commission decisions in case numbers GR-99-435, GR-2000-520, and GR-2001-461.

Findings of Fact

Commission Rule 4 CSR 240-2.060(14) states, in part:

[A]pplications for variances or waivers from...tariff provisions...shall contain information as follows: (A) Specific indication of the...tariff from which the variance or waiver is sought; (B) The reasons for the proposed variance or waiver and a complete justification setting out

the good cause for granting the variance or waiver; and (C) The name of any public utility affected by the variance or waiver.

The Commission finds that UtiliCorp has substantially complied with that part of Commission Rule 4 CSR 240-2.060(14) cited above and will grant the variance to that part of UtiliCorp's tariff cited above. The Commission further finds that the good cause for granting the variance is that it will reduce the under-recovery balance during a less onerous time than the winter heating season and therefore mitigate what would otherwise likely be a sharp increase to address such under-recovery during the next winter heating season.

IT IS THEREFORE ORDERED:

1. That the Missouri Public Service Commission grants UtiliCorp United Inc., d/b/a Missouri Public Service, a variance from its P.S.C. No. 5, 4th Revised Sheet No. 34, and P.S.C. No. 5, 5th Revised Sheet No. 35 to allow UtiliCorp United, Inc. d/b/a Missouri Public Service, to forego its otherwise required summer Purchased Gas Adjustment filing and to thereby leave in effect its current interim rates until the filing of its next winter Purchased Gas Adjustment.

2. That the interim rates, subject to refund, should be maintained pending final Missouri Public Service Commission decisions in case numbers GR-99-435, GR-2000-520, and GR-2001-461.

3. That this order shall become effective on April 29, 2001.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Drainer, Murray, Simmons and Gaw, CC., concur

Hopkins, Senior Regulatory Law Judge

ALL/Secretary: Hopkins/Bayer

Date Circulated 4-16 GR-2001-461
CASE NO.

Lumpke, Chair KS PS

Draimer, Vice Chair [Signature]

Murray, Commissioner [Signature]

Simmons, Commissioner KS
IS this the first company to ask for a variance? Why aren't the other companies asking to do the same? (KS)

Gaw, Commissioner [Signature]

Agenda Date 4-19

Action taken: 5-OAS

Must Vote Not Later Than _____

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 19th day of April 2001.

Dale Hardy Roberts
Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

