

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 19<sup>th</sup> day  
of April, 2011.

In the Matter of the Application of Atmos Energy     )  
Corporation for Authority to Sell Part of its Works or     )  
System Located at the Hannibal, Missouri Propane     )  
Air Plant     )

**File No. GO-2011-0281**

**ORDER AUTHORIZING SALE OF PROPANE AIR PLANT FACILITY  
LOCATED IN HANNIBAL, MISSOURI**

Issue Date: April 19, 2011

Effective Date: April 29, 2011

**Background**

On March 4, 2011, Atmos Energy Corporation filed an application with the Missouri Public Service Commission seeking authority to sell its Propane Air Plant Facility located in Hannibal, Missouri. The company requested that the Commission act on this application by April 6 or as soon as possible thereafter. On March 14, the Commission directed the Staff of the Commission to file a recommendation or a status update no later than March 25.

Staff filed a status report on March 25, stating that it needed more information concerning Atmos' assertion regarding peak day capacity planning and analysis. Staff also informed the Commission that a recommendation would be filed no later than April 29. Staff then filed its memorandum on April 13, recommending that the Commission conditionally approve the application.

## **The Application**

Atmos explains that the plant was constructed to be a peak shaving plant and to mimic traditional storage with injections during the summer months and withdrawals during the winter months. Over the years the plant has experienced numerous maintenance issues, with the most damage caused by a lightning strike, which has rendered the facility unsafe. The company has exhausted all reasonable measures to keep the facility operational. However, as a result of the extensive damage, necessary maintenance and the availability of alternative resources, it is no longer economically efficient or necessary for the company to employ the system. Accordingly, the company states that the proposed transaction is not detrimental to the public interest.

The company attached to the application a copy of the highly confidential Bill of Sale and Agreement. The exact facilities and equipment to be sold are specifically described in the agreement, but generally includes pumps, compressors, vaporizers and a generator. The company states that the proposed transaction will have little, if any, impact on tax revenues.

Finally, the company seeks a waiver of Commission rule 4 CSR 2404.020(2), which requires that a 60-day notice be filed prior to the filing of the application. Alternatively, the company posits that this is not a contested case. Hence, the Commission rule may not apply.

## **Staff Recommendation**

Staff states that the cost to repair the plant is not economical and Atmos has replaced the peak shaving provided by the plant with capacity on an interstate natural gas

pipeline. Staff therefore opines that the sale is not detrimental to the public interest and that the Commission should approve the sale.

Staff informs the Commission that the plant was deemed inoperable during the 2007/2008 ACA period and was temporarily replaced with a peaking supply contract with an interstate pipeline for the winter. Staff goes on to state that although the plant was later operable, it was damaged by lightening and the company eventually secured supply from the Panhandle Eastern Pipe Line Company.

Staff states that because the estimated cost to repair the plant is greater than obtaining gas supply through pipeline contracts, and peak day requirements are met through such contracts, granting the application would not be detrimental to the public interest. However, Staff recommends that the Commission impose the following conditions:

1. For accounting purposes, the retirement date for the Propane Air Plant shall be recorded as December 31, 2010.
2. The revenue received from the sale of equipment shall be treated as salvage and recorded to the appropriate FERC USOA account or subaccounts as salvage.
3. Any cost of removal incurred by the company as a direct result of activities related to the removal of the equipment sold shall be treated as cost of removal and recorded to the appropriate FERC USOA account or subaccounts.
4. The company shall make adjustments to the appropriate FERC USOA account or subaccounts to reverse any depreciation recorded since December 31, 2010.
5. The company shall remove the cost of propane inventory from its books (consistent with the retirement of Propane Air Plant). All propane inventory shall be removed from rate base in the company's next general rate case filing.
6. The decision and costs associated with the renegotiated pipeline contract (to replace the propane plant) shall be reviewed for prudence in Atmos' 2010/2011 ACA.

On April 15, the company filed a pleading informing the Commission that it does not object to the conditions suggested by Staff.

## **Decision**

Section 393.190.1, RSMo, requires that prior to disposing of any part of its system, gas corporations secure authorization from the Missouri Public Service Commission. Both the company and the Staff of the Commission agree that the proposed transaction is not detrimental to the public interest. From the information provided by the company in its application and through Staff's investigation, the Commission finds that the sale of the Propane Air Plant is not detrimental to the public interest.

The company also requests a waiver of Commission rule 4 CSR 240-4.020(2), which requires a 60-day notice prior to filing what will be a contested case. A contested case "means a proceeding before an agency ... required by law to be determined after hearing." Section 393.190.1 does not require the Commission to hold a hearing prior to ruling on this application. This is therefore not a contested case. The Commission's rule regarding contested cases is inapplicable and a waiver of the rule is unnecessary.

The Commission will approve the application with the conditions suggested by Staff.

### **THE COMMISSION ORDERS THAT:**

1. Atmos Energy Corporation's application seeking authority to sell its Propane Air Plant facility, as specifically described in the Bill of Sale Agreement attached to the application as Appendix A, is approved.
2. The sale, as described in ordered paragraph 1, is subject to the conditions set out in the Staff of the Commission's Memorandum and in the body of this order.

3. This order shall become effective on April 29, 2011.
4. This case shall be closed on April 30, 2011.

**BY THE COMMISSION**

A handwritten signature in black ink, appearing to read 'S. Reed', is positioned above the printed name of the Secretary.

Steven C. Reed  
Secretary

( S E A L )

Gunn, Chm., Clayton, Davis,  
Jarrett, and Kenney, CC., concur.

Jones, Senior Regulatory Law Judge