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February 8, 2001

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

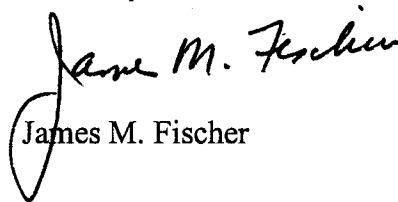
RE: *In the Matter of the Application of United Cities Gas Company, a division of Atmos Energy Corporation, for an Accounting Authority Order Related to Investigation and Response Actions Associated with Its Former Manufactured Gas Plant Site in Hannibal, Missouri, Case No. GA-98-464.*

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter are the original and eight (8) copies of the Reply To Public Counsel's Response In Opposition to United Cities' Motion for Modification of Accounting Authority Order filed on behalf of United Cities Gas Company, a division of Atmos Energy Corporation. A copy of the foregoing Reply has been hand-delivered or mailed this date to parties of record.

Thank you for your attention to this matter.

Sincerely,


James M. Fischer

/jr
Enclosures

cc: Office of the Public Counsel
General Counsel

FEB 08 2001

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

In the Matter of the Application of United Cities Gas)	
Company, a division of Atmos Energy Corporation,)	
for an Accounting Authority Order Related to)	Case No. GA-98-464
Investigation and Response Actions Associated with)	
Its Former Manufactured Gas Plant Site in Hannibal,)	
Missouri.)	

**REPLY TO PUBLIC COUNSEL'S RESPONSE
IN OPPOSITION TO UNITED CITIES'
MOTION FOR MODIFICATION
OF ACCOUNTING AUTHORITY ORDER**

COMES NOW United Cities Gas Company, a division of Atmos Energy Corporation (hereinafter "United Cities") and, pursuant to 4 CSR 240-2.080, for its Reply to Public Counsel's Response In Opposition to United Cities Motion For Modification of Accounting Authority Order filed on February 6, 2001, states to the Missouri Public Service Commission ("Commission"):

1. On February 6, 2001, the Office of the Public Counsel ("Public Counsel") filed its response to United Cities' Motion for Modification of the Accounting Authority Order ("AAO") issued on February 25, 1999. Public Counsel opposes United Cities' request for an extension of one-year of the AAO for the following reason: "Simply put, granting United Cities' request would make a mockery of the time limitation requirements contained in accounting authority orders." (Public Counsel Response, p. 2).

2. Contrary to Public Counsel's suggestion, United Cities' request is not intended to make a "mockery" of anything, particularly a Commission-issued order. As the Commission is well aware, the price of natural gas to United Cities' consumers increased substantially during the 2000-01 heating season, due to the dramatic rise of the wholesale cost of natural gas. As a result, United

Cities does not believe that it would be desirable for the Company or its ratepayers to file a general rate case at this time. However, as explained in United Cities' Motion, if a general rate case is not filed by March 9, 2001, United Cities will be required to write-off the of the extraordinary and non-recurring costs related to the investigation, assessment and environmental response actions at the Hannibal Manufactured Gas Plant ("Hannibal MGP") that already have been deferred, unless the accounting authority order is extended. In addition, the costs that are expected to be incurred over the next twelve (12) months may not be deferred without an extension of the AAO or the issuance of a new AAO.

3. In its Accounting Authority Order issued on February 25, 1999, the Commission authorized United Cities to defer in Account 182.3 (formerly Account 186) all costs incurred in connection with:

- a. the investigation, assessment, removal, disposal, storage, remediation or other clean-up of residues, substances, materials and/or property associated with the Hannibal manufactured gas plant;
- b. the dismantling and/or removal of facilities formerly utilized in manufactured gas plant operations;
- c. efforts to recover such costs from potentially responsible third parties and insurance companies; and
- d. payments received by United Cities as a result of such efforts.

Prior to United Cities' request in this proceeding, the Commission had previously approved a similar request for an AAO for the environmental response actions at manufactured gas plant sites for Laclede Gas Company. *See Re: Laclede Gas Company*, 172 PUR4th 83, (1996).

4. By seeking a one-year extension of the AAO in this matter, United Cities is not requesting approval of any ratemaking treatment of these costs at this time. The review and appropriate disposition of these costs would be reserved for and determined in United Cities' next

general rate case. By extending the previously-approved AAO in this matter, United Cities will merely preserve the opportunity to defer these extraordinary and non-recurring costs until they can be reviewed in the next general rate case. Otherwise, without an extension of the AAO, United Cities will not have the opportunity, absent a rate case filing, to recover these extraordinary expenses. *See Re: St. Louis County Water Company*, Case No. WR-96-263, Report and Order at 13, (December 31, 1996).

5. The costs associated with the investigation and response action at the former manufactured gas plant in Hannibal are clearly non-recurring and extraordinary in nature and by virtue of the complex nature of the remediation process must be spread over a period of years. The work at the site is being conducted pursuant to United Cities obligations under Missouri law and an Order with another state agency, the Missouri Department of Natural Resources. Moreover, the work is consistent with sound public policy and the interests of the public in a cleaner environment. Consequently, United Cities is perplexed why the Office of Public Counsel, an agency charged with the responsibility of protecting the public, would be opposed to United Cities being provided the opportunity to make an argument for the recovery of these costs in its next general rate case.

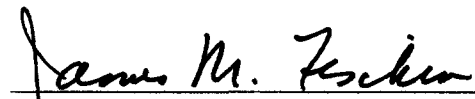
6. Under these circumstances, United Cities' believes that it would be preferable for the Company and its ratepayers to extend the AAO as requested in United Cities' motion. Since United Cities is maintaining all documentation related to these expenditures in a readily available format, the extension of the AAO will not hinder Public Counsel's ability to review these costs in the next general rate case.

7. Finally, Public Counsel raises the specter that United Cities has had "record or near record profits" in November and December due to the extremely cold weather that the region experienced during this time. As the Public Counsel knows, such abnormal weather typically is

normalized in general rate cases to eliminate the weather effects on the test year results. This is not a legitimate reason to deny United Cities the opportunity to defer these extraordinary and non-recurring costs until they can be reviewed in the next general rate case.

WHEREFORE, having responded to the arguments of Public Counsel, United Cities respectfully renews its request that the Commission issue its Order Modifying the Accounting Authority Order issued on February 25, 1999, by extending the date that the AAO would become null and void from March 9, 2001 to **March 9, 2002**, unless a general rate case is filed, or in the alternative, issue a subsequent accounting authority order to authorize United Cities to defer in Account 182.3 all costs incurred in connection with the investigation, assessment and environmental response actions at the Hannibal MGP.

Respectfully submitted,


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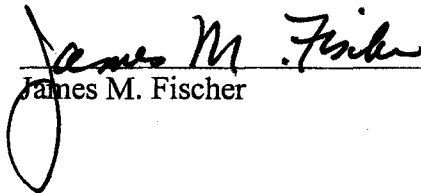
ATTORNEY FOR
UNITED CITIES GAS COMPANY,
a division of ATMOS ENERGY CORPORATION

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, postage prepaid, this 8th day of February, 2001, to:

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

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


James M. Fischer