

MEMORANDUM

FILE COPY

TO: Missouri Public Service Commission Official Case File
Case No. GA-98-464
United Cities Gas Company (a division of Atmos Energy Corporation)

FROM: Roy Boltz, Accounting Department *RB 7/7/98*

Wes Henderson 7-8-98
Director, Utility Operations Division/Date

RE Schellberg 7/7/98
Director, Utility Services Division/Date

Thomas R. Schwany Jr. 7/7/98
General Counsel's Office/Date

FILED

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**Missouri Public
Service Commission**

SUBJECT: Staff's Recommendation for Approval of Request for an Accounting Authority
Order (AAO)

Date: July 7, 1998

On April 15, 1998, United Cities Gas Company filed an application for an AAO 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 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.

The property involved is located at the intersection of 11th and Collier Streets in Hannibal, Missouri. The site is the former location of a manufactured gas plant. In 1996, the Missouri Department of Natural Resources performed a Preliminary Assessment and Site Investigation at the site. Based on the result of the Site Investigation, an environmental response action will be undertaken at the site.

United Cities plans to initiate an interim removal action at the site in the spring of 1998. The purpose of the interim action will be to excavate and dispose of the most highly impacted material at the site. The action will consist of the excavation of the most highly impacted soil as well as manufactured gas plant by-products and residuals and transporting them to appropriate facilities. The interim removal action is anticipated to cost approximately \$160,000. Following the conclusion of the interim removal action, further environmental response actions consisting of further sampling and possible further removal and treatment may be necessary at the site.

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United Cities is not requesting approval of any ratemaking treatment of these costs at this time. The review and appropriate disposition of the costs would be reserved for and determined in United

Cities' next general rate case. Any refunds or reimbursements received from state funds, insurance companies or other third parties will be credited to Account 182.3.

The Staff's recommendation is to approve with the following conditions:

1. This AAO will apply to costs incurred or payments received between March 31, 1998 and the effective date of the rates established in United Cities' next general rate case or the beginning of the deferral period of any subsequent AAO granted for the same costs, whichever is earlier. In the event the Staff, in United Cities' next general rate case, recommends an amortization of the deferred costs, any payments received during the amortization period shall be credited to Account 182.3 and the amortization amount adjusted accordingly.
2. This AAO shall become null and void in the event United Cities does not file tariff sheets proposing a general increase in rates within twenty-four (24) months from the effective date of the order granting authorization of the AAO.
3. The Staff reserves the right to challenge the recovery in future rates of any costs deferred under this AAO.
4. The Commission shall not be deemed to have acquiesced in any ratemaking principle regarding the deferred expenditures if it grants approval to this application.

copies:

- Director - Utility Operations Division
- Director - Utility Services Division
- Director - Advisory and Public Affairs Division
- General Counsel
- Manager - Financial Analysis Department
- Manager - Accounting Department
- Assistant Manager - Accounting, Kansas City Office
- Assistant Manager - Accounting, St. Louis Office
- Manager - Gas Department
- Manager - Depreciation Department
- Manager - Procurement Analysis Department
- United Cities Gas Company
- James M. Fischer, P.C.
- Office of the Public Counsel