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June 15, 2000

FILED³

JUN 15 2001

Missouri Public
Service Commission

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 Greeley Gas Company's Purchased Gas Adjustment Factors to be reviewed in its 1999-2000 Actual Cost Adjustment,*
Case No. GR-2001-36

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter are the original and eight (8) copies of Greeley Gas Company's Response To Staff Recommendation.

A copy of the Response has been hand-delivered or mailed this date to parties of record.

Thank you for your attention to this matter.

Sincerely,


Larry W. DORITY

/jr
Enclosures

cc: Office of the Public Counsel
Dana K. Joyce

FILED³

JUN 15 2001

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of Greeley Gas Company's Purchased)
Gas Adjustment Factors to be Reviewed in its)
1999-2000 Actual Cost Adjustment)

Case No. GR-2001-36

**GREELEY GAS COMPANY'S
RESPONSE TO STAFF RECOMMENDATION**

COMES NOW Greeley Gas Company ("Greeley" or "Company"), and pursuant to the Commission's Order Directing Response issued on May 16, 2001, states its response to the Staff's Recommendation filed on May 1, 2001, as follows:

1. On May 1, 2001, the Commission Staff filed its recommendation following the completion of the audit of the Actual Cost Adjustment ("ACA") rates for the period of June 1999 to May 2000, for Greeley's Southwest Missouri District. The Staff's audit consisted of an analysis of the billed revenues and actual gas costs included in the Company's computation of the ACA rate for said period.

2. As a result of its audit, the Staff recommended that the Commission issue an order requiring Greeley to:

- a. Adjust the ACA balance in its next ACA filing by \$7,518 [$\$3,893 + \$4,062 + (\$437)$] from \$68,478 over-recovery balance to \$60,960 over-recovery balance to reflect the adjustments proposed relating to gas costs, storage and gas supply realignment costs;
- b. Increase the Refund balance owed by Greeley to its customers by \$200;
- c. Include hedging provisions in its Requests for Proposals (RFPs) to mitigate price risk and reduce its exposure to price volatility in the market; and

- d. Submit a reliability study addressing the heatload factor, selection of peak heating degree days (HDD), comparison of estimated usage to actual usage, and negative reserve margin comments as discussed in the Reliability Study section of the Staff's Recommendation, said study to be submitted by July 31, 2001.

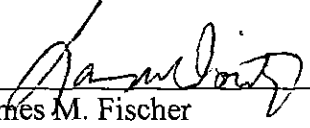
3. On May 16, 2001, the Commission issued its Order Directing Response which required Greeley to file a response to the Recommendation of the Staff no later than June 15, 2001.

4. After reviewing the Staff's Recommendation in this matter, the Company has determined that Staff's recommendations are acceptable to the Company and should be implemented, as clarified pursuant to Paragraph 5 below.

5. In the Purchasing Practices section of its Recommendation, Staff states that its review of the Company's purchasing practices indicated a high degree of reliance on monthly index pricing. As noted above, Staff recommends that all RFPs should include provisions for hedging to mitigate price risk and should include fixed term pricing provisions. "If Greeley does not analyze and/or utilize viable options in developing its supply portfolio, Greeley is accepting market risk associated with such price fluctuations." Greeley respectfully submits that it does analyze and utilize viable options in developing its supply portfolio and, indeed, any and all such options, including but not limited to RFPs, should be available to the Company to minimize market risk. While hedging and fixed term pricing provisions may be appropriate (the Company intends to utilize such financial instruments to mitigate price on a portion of its gas purchasing requirements), the Company should not be limited in its analysis and utilization of a variety of financial instruments that may be available and appropriate.

WHEREFORE, Greeley Gas Company respectfully requests the Commission to issue an Order Approving Staff Recommendation Regarding Actual Cost Adjustment, as clarified consistent with the Company's reservations expressed in Paragraph 5 above, and accept the adjusted rates on a permanent basis.

Respectfully submitted,


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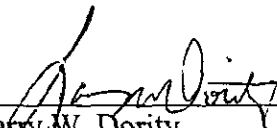
Attorneys for Greeley Gas Company

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of this document has been hand-delivered or mailed, First Class, postage prepaid, this 15th day of June, 2001, to:

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

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


Larry W. Dority