Missouri Public Service Commission

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March 15, 2002

FILED
MAR 15 2002
Missouri Public Service Commission

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

RE: Case No. GR-2001-387 and GR-2000-622

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RECOMMENDATION.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Bruce H. Bates
Associate General Counsel
(573) 751-7434
(573) 751-9285 (Fax)

BHB/lb
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

FILED

MAR 15 2002

Missouri Public Service Commission

In the Matter of Laclede Gas Company's Purchased Gas Adjustment Tariff Revisions to be Reviewed in Its 2000-2001 Actual Cost Adjustment.	)))))	Case No. GR-2001-387
In the Matter of Laclede Gas Company's Purchased Gas Adjustment Factors to be Reviewed in Its 1999-2000 Actual Cost Adjustment.	))))	Case No. GR-2000-622

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff" and "Commission") and for its *Recommendation* for Laclede Gas Company's ("Laclede") 1999-2000 Actual Cost Adjustment ("ACA") *Filing and Monitoring Report*, in that part of this case originally denominated GR-2000-622, states to the Commission as follows:

In the attached *Memorandum*, which is labeled *Appendix A*, Staff recommends that the Commission issue an order requiring Laclede to establish the account balances in its next ACA filing to reflect the (over)/under recovery of ACA and Refund balances to be (refunded)/collected from the ratepayers, and take the remaining actions prayed for in the *Recommendation*, for the reasons stated therein.

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Respectfully submitted,

DANA K. JOYCE
General Counsel

Bruce H. Bates
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Missouri Bar No. 35442

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel or parties of record as shown on the attached service list this 15th day of March 2002.

Bruce H. Bates

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GR-2000-622, Laclede Gas Company

FROM: Dave Sommerer, Manager- Procurement Analysis Department DS
Lesa A. Jenkins, P.E., Regulatory Engineer, Procurement Analysis Department LAJ

3-15-02 Thomas R. Schwarz Jr. 3/15/02 3-15-02

Project Coordinator/Date General Counsel's Office/Date

SUBJECT: Staff's Recommendation in Laclede Gas Company's 1999-2000 Actual Cost Adjustment Filing and Monitoring Report

DATE: March 15, 2002

The Staff has reviewed the 1999-2000 Actual Cost Adjustment (ACA) filing (docketed as Case No. GR-2000-622) for Laclede Gas Company (Laclede or Company). The Staff's review consisted of an analysis of the billed revenues and actual gas costs, for the period of October 1, 1999 to September 30, 2000, included in the Company's computation of the ACA rates.

Staff conducted a reliability analysis for the Laclede distribution system including a review of estimated peak day requirements and the capacity levels needed to meet those requirements.

MONITORING REPORT

Laclede, as part of its 1999-2000 ACA filing, provided the Staff with a copy of its monitoring report for its Gas Supply Incentive Plan (GSIP). The report indicates total savings of $35,781,092 related to the Procurement Incentive Provision, Capacity Release Provision, Firm Transportation Discounts Provision, and Mix of Pipeline Services Provision. Laclede's share of the total incentive plan savings is $8,566,053.

Company, in response to Staff Data Request No. 19, indicates that (1) on April 12, 2001 the FERC approved a settlement of Trunkline Gas Company Docket No. RP-96-129, (2) the resolution of this FERC case (wherein the applicable Trunkline maximum reservation rates will be permanently set) will require Laclede to flow through to its customers a $1,402,140 Transportation Discount GSIP adjustment and (3) that Company will make this adjustment (which will reduce Laclede's 2000-2001 GSIP earnings by $1,402,140) in its 2000-2001 ACA filing. Thus, based upon a review of the monitoring report, supporting GSIP documentation and Laclede's response to Staff Data Request No. 19, the Staff believes that no GSIP adjustments to the ACA balances are necessary at this time.

Appendix A

DEFERRED CARRYING COST BALANCE (DCCB)

The Staff has reviewed the operation of Laclede's Deferred Carrying Cost Balance for this period. Laclede accrued no carrying costs for this period. The Staff is concerned that Laclede's application of the tariff may result in too much weight being given to the final month in the ACA period. The Staff will review this issue in more detail in the 2000-2001 ACA case.

RELIABILITY ANALYSIS

To assure that sufficient capacity, but not excess capacity, is available to meet firm customer peak day capacity and natural gas supply requirements, Staff conducted a reliability analysis, including a review of the Company's 1999/2000 Reliability Study, the Company's sendout equation for gas supply planning, estimated peak day requirements and the capacity levels to meet those requirements, and peak day reserve margin and the rationale for this reserve margin.

Staff has the following concerns regarding the Company's sendout equation and peak day estimates:

1. Staff's analysis shows that the Company reviews residential heating, commercial heating, industrial heating, and residential general for the Laclede Division, Midwest Division, and Missouri Natural Division and for each of these calculates a 0° sendout and a base sendout. Concerns related to these customer classes are as follows:

    a. The Company states that the base use per customer from 1998 sales data was compared to the factors of prior years to obtain the base use per customer factor for this analysis. However, Staff notes that the Company has not changed the base use per customer factors since 1995/1996, but it was changed in each of the three years prior to 1995/1996. When Staff used a conservative factor by substituting the highest base use per customer for each division from a review of the Company's 1996/1997, 1997/1998, and 1998/1999 factors, the base use is reduced by 6% for these customer categories and the overall estimated peak day use is reduced by 1.7%.

    b. The winter normalization factors (NAF) are based on a ten-year old study of 1990/1991 water-heating requirements for each month of the year. The Company states that the NAF factors are adjusted slightly to come up with the values used in the Reliability Report. Although Staff does not propose changing the NAF values at this time, Staff recommends that this analysis be updated to determine whether these NAF factors are still appropriate. The rationale for the different winter normalization factors for each district should be shown. Additionally, the Company should check the embedded formulas in the spreadsheets so that for each district the correct NAF factor is used (or backed out).

c. In the Company's various data request responses, the usage per customer per degree day (UCDD) values are different. The Company states that UCDD from 1998/1999 is compared to prior years UCDD and the Company selects what it believes to be a reasonable number. Staff does not believe that the Company has provided sufficient support for these UCDD factors. When Staff uses the values from Laclede's UCDD worksheet (1998/1999 factors), the peak day estimate is reduced by 8.9%.

2. The Company calculates the 0° sendout and a base sendout using the total estimated customers that includes customer growth. The Company adds an additional slope value to the consolidated 0° sendout for all customer classes, and this slope also seems to be for growth. When asked about this, the Company first stated that this was done to account for the movement of the airport thermometer (moved in May 1996) and later stated that the slope addition has been taken into consideration as long as the reliability reports have been prepared. Staff recommends that this additional growth or adjustment factor not be included in the sendout equation.

3. The Company also shows a 0° Sendout and Base Sendout for the three divisions for the customer classes of commercial-other, industrial-other, and firm transportation. Sendout is calculated from a review of annual usage using average use/day and an assumed load factor. No adjustment is proposed for the peak day estimate for these customer classes at this time. However, for future ACA reviews Staff recommends that more detail be provided for derivation of the sendout for these customer classes.

4. Since none of these recent cold days are near the peak cold day of 73 heating degree days, it is recommended that the Company continue to submit comparisons of actual usage to estimated usage to determine whether the model for peak day usage is reasonable or should be revised.

5. The Company provides assumed capacity ratings for the propane facilities and states that these numbers have been used for years, but the sources for these capacity ratings are unknown. One of these facilities has had new equipment installed, and Staff would expect that the capacity would increase for this facility.

Staff has adjusted the peak day estimate by revising the Company's sendout equation to address the concerns raised in item numbers 1 and 2 above. The reserve margin for early to mid-winter is high, but as storage is drawn down, the reserve margin reduces. Staff evaluated a reserve margin that could be considered appropriate for a late winter peak day. In the Company analysis, a late winter peak of –1 degree is shown on February 18th, but St. Louis weather data shows a colder day for February of -4.75 degrees on February 3, 1996, so Staff proposes adjusting the Company's 1935/1936 analyses for February 18th to show a colder day and thus higher demand for this date. The Company provides no estimate of standard error of the Y-estimate and no other estimate of variability or rationale for a specific reserve margin. Some assumed variability is reasonable, and Staff suggests that until better rationale is developed that an additional 3% be allowed.

Comparison of Mid-winter and Late-winter peak	Historic Peak of -8 Degrees (mid-winter)	Late Winter (2/18 Analysis)	
		-1 Degrees	-5 Degrees
Capacity (BBtu/day)	1,294.32	1,106.03	1,106.03
Revised Demand Estimate	1,067.94	976.55	1,028.77
Reserve	226.38	129.48	77.26
Reserve Margin	21.2%	13.3%	7.5%
Proposed Allowed Reserve			30.86
Proposed Disallowed Reserve (BBtu/day)			46.40

Staff recommends disallowance of 46.4 BBtu/day of peak day reserve margin. The estimated cost of the proposed disallowed reserve margin is $2,637,422. This adjustment should be allocated as follows based on expensed capacity reservation charges:

Total	Firm Sales non-LVTSS	Firm Sales LVTSS	Firm Transportation
$2,637,422	$2,377,290	$18,550	$241,582

SUMMARY

- Laclede, as part of its 1999-2000 ACA filing, provided the Staff with a copy of its monitoring report for its GSIP. The report indicates total savings of $35,781,092 related to the Procurement Incentive Provision, Capacity Release Provision, Firm Transportation Discounts Provision, and Mix of Pipeline Services Provision. Laclede's share of the total incentive plan savings is $8,566,053. Based upon a review of the monitoring report, supporting GSIP documentation and Laclede's response to Staff Data Request No. 19, the Staff believes that no GSIP adjustments to the ACA balances are necessary at this time.

- The Staff proposes a disallowance of 46.4 BBtu/day of peak day reserve margin. The estimated cost of the proposed disallowed reserve margin is $2,637,422.

RECOMMENDATIONS

The Staff recommends the Commission issue an order requiring Laclede to:

1. Establish the following account balances in its next ACA filing to reflect the (over)/under recovery of ACA and Refund balances to be (refunded)/collected from the ratepayers:

	Co. Filing (over)/under-recovery	Staff Adjustment	ACA Balance (over)/under-recovery	Refund Balance
Firms Sales non-LVTSS	$14,448,954	$2,377,290	$12,071,664	
Firms Sales LVTSS	$202,173	$18,550	$183,623	
Interruptible Sales	$252,805		$252,805	
LP Sales	$22,810		$22,810	
Firm Transportation	$718,633	$241,582	$477,051	
Basic Transportation	$9		$9	
Firm Sales non-LVTSS	($603,874)			($603,874)

2. Take the following actions by November 1, 2002:

   a. Submit an updated Reliability Report that includes information regarding the 2001/2002 and 2002/2003 ACA periods.

   b. Submit a summary of actual usage and actual heating degree days (HDD) for five or more of the coldest days from the 2000/2001 and 2001/2002 winters. Compare the usage on these actual cold days to the usage estimated by the Company's sendout model for those days. Include a calculation of the percent over (under) estimation by the sendout model. Explain and show the calculations of how the actual usage data is adjusted so that it only includes the same customer classes as the Company's sendout model. Provide an explanation when the modeled usage does not reasonably agree with the actual usage encountered. If the sendout model is re-evaluated based on these findings, provide the re-evaluated sendout model.

   c. For the updated Reliability Report, eliminate inclusion of the additional slope value in the estimation of 0° Sendout.

   d. For the updated Reliability Report, reevaluate the base use per customer factors and provide the documentation supporting these factors.

   e. For the updated Reliability Report, evaluate whether the winter normalization factors from the 1990/1991 study are still appropriate. If different winter normalization factors continue to be used for each division, provide supporting documentation for each division.

   f. For the updated Reliability Report, provide supporting documentation for the usage per customer per degree day factors.

g. For the updated Reliability Report, provide supporting documentation for the derivation of the load factors used in the sendout model for each division for the customer classes of commercial-other, industrial-other, and firm transportation. Also for these customer classes and divisions, show the 0° Sendout and Base Sendout for 1997/1998, 1998/1999, 1999/2000, and 2000/2001.

h. Provide updated capacity ratings (theoretical capacity and operational capacity) for the Lange and Catalan propane facilities.

i. Provide an estimate of the variability of the sendout model and rationale for a reasonable reserve margin.

3. Respond to this document pursuant to the procedural schedule.

Service List for
Case No. GR-2001-387
Verified: March 14, 2002 (lb)

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