

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
JEFFERSON CITY  
March 2, 2001

CASE NO: GR-2001-394

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Denver, CO 80203-5015

Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge

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

In the Matter of Greeley Gas Company's )	
Purchased Gas Adjustment Factors to be )	<u>Case No. GR-2001-394</u>
Reviewed in Its 2000-2001 Actual Cost )	
Adjustment. )	

**ORDER SETTING PREHEARING CONFERENCE**  
**AND REQUIRING FILING OF PROCEDURAL SCHEDULE**

**Procedural History:**

In January, 2001, Greeley Gas Company (Greeley) sought an unscheduled Purchased Gas Adjustment rate increase. Certain other Missouri Local Distribution Companies (LDCs) also sought unscheduled PGA rate increases. The requested rate increases were approved by the Commission in late January.

On January 26, 2001, the Office of the Public Counsel (Public Counsel) filed its Request for an Emergency ACA Review and Motion for Expedited Treatment.<sup>1</sup> Therein, Public Counsel explained that Greeley's gas procurement practices during the current 2000-2001 winter heating season would normally be audited by the Commission over a seven-to-ten-month period following Greeley's filing of its ACA rate in November 2001, resulting in a Staff recommendation no earlier than June 2002. Should any items be disputed, a contested case hearing procedure would be required, leading to a Commission Report and Order sometime in 2003. Thereafter, the parties may resort to the courts,

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<sup>1</sup> ACA stands for Actual Cost Adjustment.

leading to further delay. For this reason, Public Counsel requests that the Commission "expeditiously" review Greeley's gas procurement practices for the winter heating season of 2000-2001.

In response to Public Counsel's request, on January 31, 2001, the Commission issued an Order Directing Filing. In that order the Commission noted that in Case No. GR-2001-382,<sup>2</sup> the Staff of the Missouri Public Service Commission (Staff) was directed to respond to Public Counsel's motion and to advise the Commission if an emergency audit is warranted prior to the time that the audit would be performed under the normal ACA process. The Commission also directed Staff to advise if such an audit would be appropriate for each natural gas distributor in the state of Missouri. Because these emergency unscheduled PGA increases will affect many Missourians, not just the residents of Greeley's service area, the Commission directed its Staff to file a copy in this case of its response from Case No. GR-2001-382 regarding a statewide audit of natural gas distributors.<sup>3</sup> This response was made due by February 2, 2001.

Also on January 26, 2001, Public Counsel filed similar requests in GR-2001-396 (Atmos Energy Corporation), and GR-2001-397 (United Cities Gas Company); another such request was filed on January 29, 2001, in Case No. GR-2001-388 (Southern Missouri Gas

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<sup>2</sup> The unscheduled Purchased Gas Adjustment rate increase request of Missouri Gas Energy, a division of Southern Union Company, filed on January 9, 2001.

<sup>3</sup> On January 31, 2001, the Commission also directed Staff to file a copy of its response in each of Case Nos. GR-2001-388, GR-2001-396, and GR-2001-397.

Company, L.P.). On January 30, 2001, Public Counsel filed a response to the Commission's Order of January 26, 2001, explaining that it had not filed a request in Case No. GR-2001-387 (Laclede Gas Company) because it believed that the Commission lacks authority to undertake a prudence review of Laclede's gas purchasing activity outside of Laclede's tariffed Gas Supply Incentive Plan (GSIP).

On February 2, 2001, Staff filed its response in Case No. GR-2001-382, a copy of which was also filed in this case. In its response regarding Missouri Gas Energy (MGE), Staff stated that an ACA review is "an extensive and time-consuming process," requiring "an audit of all of MGE's purchase, transportation and storage transactions, and a true-up of audited costs to its billed revenues." Staff asserted that such a review cannot begin until MGE "closes its books for the current ACA period, which ends June 30, 2001." In the meantime, Staff suggests that it and Public Counsel should monitor MGE's costs and ACA balance on a continuing basis and, in mid-March, begin a review of MGE's "hedges, physical and otherwise, for the current ACA period," with a report to be filed by June 30, 2001. Staff also stated that such a review should be undertaken for all Missouri LDCs. Finally, Staff warns that undertaking a hedging review would result in delay to currently pending ACA audits.

On February 13, 2001, Staff filed a supplementary response to Public Counsel's request. Therein, Staff suggested that "the Commission open a single docket to examine the performance of all Missouri local distribution companies ("LDCs")." Staff avers that such a single case, "with the participation of all LDCs, will best

provide the Commission the opportunity to examine what conditions led to the unscheduled filings this winter; why a few LDCs were able to avoid unscheduled filings this winter; and to establish what natural gas purchasing practices with respect to hedging were prudent." Additionally, Staff would require a consultant "to provide information on the strategies employed by large consumers of natural gas, and other LDCs throughout the nation, to deal with the price volatility this heating season." Staff proposes to produce a report by June 30, 2001. However, Staff cautions that this case would have "a significant affect [sic] on the Staff's resources," causing three to six months delay to other pending matters.

### **Discussion:**

Staff's latest proposal, in its supplementary response, is unnecessary because the Commission has already established a single case within which to review generic issues affecting natural gas rates: *In the Matter of a Commission Inquiry into Purchased Gas Cost Recovery*, Case No. GE-2001-398 (*Order Establishing Case and Creating Task Force*, issued January 23, 2001). That case was expressly established to "investigate the process for the recovery of natural gas commodity cost increases by LDCs from their customers" and it is the appropriate forum in which to consider each LDC's gas supply plan for price stability, flexibility, price protection, alternatives, and purchasing rationales.

As for Public Counsel's request, the Commission has determined that the best way to proceed is within the context of the existing ACA process. In both of its responses to Public Counsel's request,

Staff has warned of that delay is a likely consequence of undertaking new and expedited reviews. The Commission does not consider any such delay to be in the public interest. Therefore, the Commission will convene a prehearing conference in each LDC's current ACA case in order to permit the parties to cooperatively develop an appropriate procedural schedule to permit the completion of the normal ACA review as quickly and efficiently as possible.

The goal shall be resolution by the Commission of any contested issues by the end of the present calendar year rather than sometime in 2003 as Public Counsel warned in its request. To the extent that Staff will require additional resources in order to complete this work by that date, Staff is expected to promptly submit a detailed request to the Commission. In the event that Staff believes that this work cannot be completed by the date herein stated, Staff shall promptly so notify the Commission.

### **Prehearing Conference and Proposed Procedural Schedule:**

At the prehearing conference, the parties' representatives should be prepared to cooperate in developing a procedural schedule designed to permit completion of the ACA review, and resolution by the Commission of any contested issues, by December 31, 2001. It is expected that the parties will work cooperatively together in developing this procedural schedule. The parties shall jointly file the proposed procedural schedule. The proposed procedural schedule shall establish dates for necessary steps in the ACA review process and shall include dates for the prefiling of direct, rebuttal and surrebuttal testimony according to Commission rule, the filing of a

joint list of issues, a statement by each party of its position on each issue, and a list of witnesses. The proposed procedural schedule shall also establish dates for a hearing no later than November 30, 2001.

**IT IS THEREFORE ORDERED:**

1. That a prehearing conference shall be held on March 28, 2001, beginning at 10:00 a.m. The prehearing will be held at the Commission's offices in the Governor Office Building, 200 Madison Street, Jefferson City, Missouri, a building that meets the accessibility standards required by the Americans With Disabilities Act. If any person needs additional accommodations to participate in this prehearing, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or 1-800-829-7541 (TDD) prior to the hearing.

2. That the parties shall jointly prepare and file a proposed procedural schedule no later than April 4, 2001.

3. That this order shall become effective on March 12, 2001.

**BY THE COMMISSION**

( S E A L )



**Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge**

Nancy Dippell, Senior Regulatory  
Law Judge, by delegation of authority  
pursuant to Section 386.240, RSMo 200.

Dated at Jefferson City, Missouri,  
on this 2nd day of March, 2001.

**STATE OF MISSOURI**

**OFFICE OF THE PUBLIC SERVICE COMMISSION**

I have compared the preceding copy with the original on file in this office and  
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,  
Missouri, this 2<sup>nd</sup> day of March 2001.

*Dale Hardy Roberts*

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**Dale Hardy Roberts**  
**Secretary/Chief Regulatory Law Judge**

