STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
February 26, 2001

CASE NO: GR-2001-396

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

Sincerely,

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Atmos Energy Corporation Purchased Gas Adjustment Factors to be Audited in Its 1999-2000 Actual Cost Adjustment	))))	**Case No. GR-2001-396**

ORDER SETTING PREHEARING CONFERENCE AND REQUIRING FILING OF PROCEDURAL SCHEDULE

Procedural History:

In January, 2001, Atmos Energy Corporation (Atmos) sought an unscheduled Purchased Gas Adjustment (PGA) 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 19, 2001, the Office of the Public Counsel (Public Counsel) filed its Request for an Emergency ACA Review and Motion for Expedited Treatment in Case No. GR-2001-382.[1] On January 26, 2001, Public Counsel filed similar requests in this case and in Case Nos. GR-2001-394 (Greeley Gas Company) and GR-2001-397 (United Cities Gas Company); another such request was filed on January 29 in Case No. GR-2001-388 (Southern Missouri Gas Company, L.P.). In its request in this case, Public Counsel explained that Atmos' gas procurement

[1] ACA stands for Actual Cost Adjustment.

practices during the current 2000-2001 winter heating season would normally be audited by the Commission over a seven-to-ten-month period following Atmos' 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, leading to further delay. Public Counsel cited three reasons in support of its request for an emergency ACA review of Atmos' gas procurement practices relating to the winter PGA period November 1, 2000 through April 1, 2001, including 1) the extraordinary increases in Atmos' PGA rate; 2) the impact these increases had on Atmos' customers; and 3) the substantial regulatory lag engendered by the traditional ACA review process. For these reasons, Public Counsel requested that the Commission "expeditiously" review MGE's gas procurement practices for the winter heating season of 2000-2001.

In response to Public Counsel's request, on January 31, the Commission directed the Staff of the Missouri Public Service Commission (Staff) to file, in this case, a copy of its response filed in Case No. GR-2001-382 wherein the Commission directed staff to

> address whether or not such an audit should be undertaken with respect to each natural gas distributor with a tariffed PGA clause. Staff shall further advise the Commission as to the timeline of such a statewide audit, the necessary personnel and other resources, and whether a consultant or consultants from outside the Commission should be retained.

This response was made due by February 2, 2001.[2]

Staff filed a copy of its response from Case No. GR-2001-382 on February 2 in this case. 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." Atmos' annual ACA period runs from September 1 through August 31. In the meantime, Staff suggests that it and Public Counsel should monitor Atmos' 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, Staff filed a copy of its supplementary response to Public Counsel's request made in Case No. GR-2001-382 in this case. 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

[2] On January 31, 2001, the Commission also directed Staff to file a copy of its GR-2001-382 response in each of Case Nos. GR-2001-388, GR-2001-394 and GR-2001-397.

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 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 pre-filing 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 20, 2001, in Room 305, 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 you need 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 March 27, 2001.

3. That this order shall become effective on March 8, 2001.

BY THE COMMISSION

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Shelly A. Register, Regulatory Law Judge, by delegation of authority pursuant to Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri, on this 26th of February, 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 26th day of February 2001.

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge