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January 26, 2001

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Director, Administration

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Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

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-2001-397

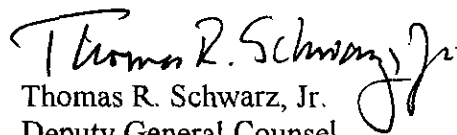
Dear Mr. Roberts:

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,


Thomas R. Schwarz, Jr.
Deputy General Counsel
(573) 751-5239
(573) 751-9285 (Fax)

TRS:sw
Enclosure
cc: Counsel of Record

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

FILED²
JAN 26 2001
Missouri Public
Service Commission

In the matter of United Cities Gas)
Company's Purchased Gas Adjustment)
factors to be reviewed in its 2000-2001)
Actual Cost Adjustment.)

Case No. GR-2001-397

STAFF RECOMMENDATION

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission")
and for its recommendation in the above-captioned matter states as follows:

1. United Cities Gas Company ("United") filed a tariff on January 18, 2001, proposing to increase its Purchased Gas Adjustment ("PGA") factor for service provided on and after February 1, 2001.

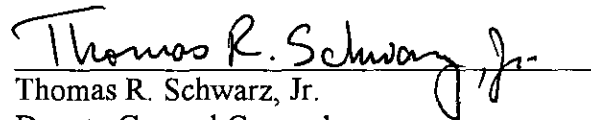
2 Staff has reviewed the tariff and made suggested corrections to United. United filed a substitute tariff, and Staff has found that the filing complies with the provisions of United's tariffs for unscheduled winter PGA filings. Staff finds that good cause has been shown for making the tariff effective on less than thirty days notice, as reflected by the provision for a ten day effective date in United's tariff. See the Staff Memorandum attached hereto as Attachment A.

3. Staff emphasizes that it has not audited the books and records of United, and that it will conduct a thorough review of United's gas purchases during the Actual Cost Adjustment audit.

WHEREFORE, Staff recommends that the rates proposed by United be approved, effective for service on and after February 1, 2001, and that these rates remain interim, subject to refund.

Respectfully submitted,

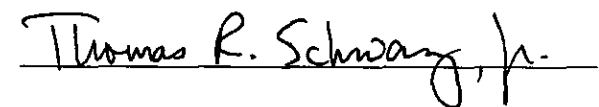
DANA K. JOYCE
General Counsel


Thomas R. Schwarz, Jr.
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 26th day of January, 2001.



M E M O R A N D U M

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2001-397, File No. 200100752 United Cities Gas
Company *WU*

FROM: *KJE b7c* Kim J. Elvington, Gas Department - Tariffs/Rate Design

Wes Hadden 1-26-01 *Thomas R. Schwanz Jr. 1/26/01*
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation for United Cities Gas Company's
Consolidated and Neelyville District's PGA Filings Effective
February 1, 2001.

DATE: January 25, 2001

On January 18, 2001, United Cities Gas Company (United or Company) of Franklin, Tennessee filed a tariff sheet proposed to become effective February 1, 2001. On January 26, 2001, United filed a substitute tariff sheet reflecting changes suggested by Staff. The tariff sheets were filed to reflect unscheduled changes in United's Purchased Gas Adjustment (PGA) factors as the result of changes in the estimated cost of natural gas for the remainder of the winter season. The winter season includes the months of November through March.

For the Palmyra District, the net effect of these changes will increase the firm PGA factor for the remainder of the winter season to \$1.1576 per Ccf from a winter season firm PGA factor of \$0.8050 per Ccf. The firm PGA factor would increase 44% under this proposal. This proposal would increase a typical residential customer's bill 32% for February and March when compared to the rates that are currently in effect. Compared to the rates currently in effect, this proposal would increase the typical residential customer's total winter heating season bill 14%.

For the Bowling Green District, the net effect of these changes will increase the firm PGA factor for the remainder of the winter season to \$1.0532 per Ccf from a winter season firm PGA factor of \$0.7006 per Ccf. The firm PGA factor would increase 50% under this proposal. This proposal would increase a typical residential customer's bill 36% for February and March when compared to the rates that are currently in effect. Compared to the rates currently in effect, this proposal would increase the typical residential customer's total winter heating season bill 15%.

For the Hannibal/Canton District, the net effect of these changes will increase the firm PGA factor for the remainder of the winter season to \$1.0387 per Ccf from a winter season firm PGA factor of \$0.6861 per Ccf. The firm PGA factor would increase 51% under this proposal. This proposal would increase a typical residential customer's bill 36% for February and March when compared to the rates that are currently in effect. Compared to rates currently in effect, this proposal would increase the typical residential customer's total winter heating season bill 15%.

For the Neelyville District, the net effect of these changes will increase the firm PGA factor for the remainder of the winter season to \$1.0549 per Ccf from a winter season firm PGA factor of \$0.7675 per Ccf. The firm PGA factor would increase 37% under this proposal. This proposal would increase a typical residential customer's bill 27% for February and March when compared to the rates that are currently in effect. Compared to rates currently in effect, this proposal would increase the typical residential customer's total winter season heating bill 11%.

A typical residential heating customer's usage is fixed at 888 Ccf and does not account for the impact of weather variations on usage. Weather variations could lessen or exacerbate the impact of these increases.

Currently, United's Deferred Carrying Cost Balance (DCCB) is increasing at over \$30,000 per day due to the difference between the current rates and United's market price for gas. Any DCCB, plus interest, will be included in the rate calculations used to compute the Company's next Actual Cost Adjustment (ACA) factor and could significantly increase next year's PGA rate if the DCCB continues to increase. In addition, a large DCCB could adversely impact the Company's credit and procurement arrangements. Staff's recommendation is based on whether this filing is in compliance with existing tariffs.

Case No. GR-2001-397, under which these changes were filed, was established to track the Company's PGA factors to be reviewed in its 2000-2001 ACA filing. Case No. GR-2000-392 was established to address the PGA factors that will be reviewed in the 1999-2000 ACA filing. Case No. GR-99-280 was established to address the PGA factors that will be reviewed in the 1998-1999 ACA filing. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-99-280, GR-2000-392 and GR-2001-397.

The Commission's Gas Department - Tariffs/Rate Design Staff (Staff) has reviewed the PGA filing and has determined that this filing was calculated in conformance with United's PGA Clause. Staff is of the opinion that good cause for approval of this tariff sheet on less than thirty days notice is demonstrated by United's Commission-approved PGA clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends the Commission approve the following tariff sheet to become effective February 1, 2001, interim subject to refund:

P.S.C. MO. No. 3
9th Revised SHEET No. 58 Cancelling 8th Revised SHEET No. 58

Copies: Director - Utility Operations Division
Director - Research and Public Affairs Division
Director - Utility Services Division
General Counsel
Manager - Financial Analysis Department
Manager - Procurement Analysis Department
Manager - Gas Department
Mark Thessin, V.P. Regulatory Affairs (United)
Mark A. Martin, Senior Analyst / Rate Administration (United)
Office of the Public Counsel

WINTER SEASON

Approximate Billing Impact Of 888 Ccf per Winter Season
United Cities - Palmyra District
Residential Heating Customer

	Prior Winter Season (Months)	Ccf Usage	Total Fuel Bill (\$)
^	November 2000	97	109.86
^	December	179	196.60
^	January 2001	236	256.89
^	February	217	236.79
^	March	159	175.44
	5 Month Winter Season Total	888.0	\$975.58

	Forecasted Winter Season (Months)	Ccf Usage	Total Fuel Bill (\$)
^	November 2000	97	109.86
^	December	179	196.60
^	January 2001	236	256.89
+	February	217	313.31
+	March	159	231.50
	5 Month Winter Season Total	888.0	\$1,108.16

32%

REMARKS

For a typical residential customer using approximately 888 Ccf's during the winter season (November-March), natural gas rates will increase by \$132.58 or approximately 14% when comparing the fuel bills for the winter season utilizing current PGA rates with the fuel bills utilizing increased rates for the remainder of the winter season ending March 2001.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 6: Customer Charge \$7.25; Commodity Charge \$0.2528 per Ccf
- ^ Tariff Sheet No. 58, 8th Revised: PGA Charge \$0.8050 per Ccf
- + Tariff Sheet No. 58, 9th Revised: PGA Charge \$1.1576 per Ccf

Missouri Public Service Commission

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WINTER SEASON

Approximate Billing Impact Of 888 Ccf per Winter Season

United Cities - Bowling Green District

Residential Heating Customer

	Prior Winter Season (Months)	Ccf Usage	Total Fuel Bill (\$)
^	November 2000	97	99.73
^	December	179	177.91
^	January 2001	236	232.25
^	February	217	214.14
^	March	159	158.84
	5 Month Winter Season Total	888.0	\$882.87

	Forecasted Winter Season (Months)	Ccf Usage	Total Fuel Bill (\$)
^	November 2000	97	99.73
^	December	179	177.91
^	January 2001	236	232.25
+	February	217	290.65
+	March	159	214.90
	5 Month Winter Season Total	888.0	\$1,015.44

36%

REMARKS

For a typical residential customer using approximately 888 Ccf's during the winter season (November-March), natural gas rates will increase by \$132.57 or approximately 15% when comparing the fuel bills for the winter season utilizing current PGA rates with fuel bills utilizing increased rates for the remainder of the winter season ending March 2001.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 6: Customer Charge \$7.25; Commodity Charge \$0.2528 per Ccf
- ^ Tariff Sheet No. 58, 8th Revised: PGA Charge \$0.7006 per Ccf
- + Tariff Sheet No. 58, 9th Revised: PGA Charge \$1.0532 per Ccf

Missouri Public Service Commission

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WINTER SEASON

Approximate Billing Impact Of 888 Ccf per Winter Season
United Cities - Hannibal/Canton District
Residential Heating Customer

	Prior Winter Season (Months)	Ccf Usage	Total Fuel Bill (\$)
^	November 2000	97	98.32
^	December	179	175.31
^	January 2001	236	228.83
^	February	217	210.99
^	March	159	156.54
	5 Month Winter Season Total	888.0	\$869.99

	Forecasted Winter Season (Months)	Ccf Usage	Total Fuel Bill (\$)	
^	November 2000	97	98.32	
^	December	179	175.31	
^	January 2001	236	228.83	
+	February	217	287.51	
+	March	159	212.60	36%
	5 Month Winter Season Total	888.0	\$1,002.57	

REMARKS

For a typical residential customer using approximately 888 Ccf's during the winter season (November-March), natural gas rates will increase by \$132.58 or approximately 15% when comparing the fuel bills for the winter season utilizing current PGA rates with the fuel bills utilizing increased rates for the remainder of the winter season ending March 2001.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 6: Customer Charge \$7.25; Commodity Charge \$0.2528 per Ccf
- ^ Tariff Sheet No. 58, 8th Revised: PGA Charge \$0.6861 per Ccf
- + Tariff Sheet No. 58, 9th Revised: PGA Charge \$1.0387 per Ccf

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WINTER SEASON
Approximate Billing Impact Of 888 Ccf per Winter Season
United Cities - Neelyville
Residential Heating Customer

	Prior Winter Season (Months)	Ccf Usage	Total Fuel Bill (\$)
^	November 2000	97	106.22
^	December	179	189.88
^	January 2001	236	248.04
^	February	217	228.66
^	March	159	169.48
	5 Month Winter Season Total	888.0	\$942.28

	Forecasted Winter Season (Months)	Ccf Usage	Total Fuel Bill (\$)	
^	November 2000	97	106.22	
^	December	179	189.88	
^	January 2001	236	248.04	
+	February	217	291.02	
+	March	159	215.17	27%
	5 Month Winter Season Total	888.0	\$1,050.33	

REMARKS

For a typical residential customer using approximately 888 Ccf's during the winter season (November-March), natural gas rates will increase by \$108.05 or approximately 11% when comparing the fuel bills for the winter season utilizing current PGA rates with the fuel bills utilizing increased rates for the remainder of the winter season ending March 2001.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 6: Customer Charge \$7.25; Commodity Charge \$0.2528 per Ccf
- ^ Tariff Sheet No. 58, 8th Revised: PGA Charge \$0.7675 per Ccf
- + Tariff Sheet No. 58, 9th Revised: PGA Charge \$1.0549 per Ccf

Missouri Public Service Commission

January 01

United Cities Gas Company - Palmyra
2001 Winter Season Revenue Impact effective 02/01/01

Month	PGA Factor	Month	PGA Factor	PGA Change (12/01/00)	Revenue Impact (Winter Season)
Nov-99	\$0.2877	Nov-00	\$0.8050	\$0.51730	\$76,952
Dec	\$0.2877	Dec	\$0.8050	\$0.51730	\$144,285
Jan-00	\$0.4973	Jan-01	\$0.8050	\$0.30770	\$114,431
Feb	\$0.4171	Feb	\$1.1576	\$0.74050	\$247,848
March	\$0.3861	March	\$1.1576	\$0.77150	\$186,495

Firm Sales (United's Confidential Workpapers, File No. 200100752)

Winter Season Revenue Change:

- 1) Docket GR-2001-397
- 2) File No. 200100752
- 3) Prepared By: Kim Elvington
- 4) Date Prepared: 01-25-01

1,859,462 Ccf
\$770,011 Increase

Month	Estimated Customer Usage Ccf/Mnth	Estimated % Ccf/Yr	Estimated Company Sales Ccf/Mnth
Nov	97	8%	148,757
Dec	179	15%	278,919
Jan	236	20%	371,892
Feb	217	18%	334,703
Mar	159	13%	241,730
Apr	96	8%	148,757
May	53	4%	74,378
Jun	36	3%	55,784
Jul	28	2%	37,189
Aug	27	2%	37,189
Sep	30	3%	55,784
Oct	42	4%	74,378
TOTAL	1200	100%	1,859,462

United Gas Company - Bowling Green
2001 Winter Season Revenue Impact effective 02/01/01

Month	PGA Factor	Month	PGA Factor	PGA Change (12/01/00)	Revenue Impact (Winter Season)
Nov-99	\$0.3931	Nov-00	\$0.7006	\$0.30750	\$37,359
Dec	\$0.3931	Dec	\$0.7006	\$0.30750	\$70,048
Jan-00	\$0.4927	Jan-01	\$0.7006	\$0.20790	\$63,146
Feb	\$0.4112	Feb	\$1.0532	\$0.64200	\$175,497
March	\$0.3725	March	\$1.0532	\$0.68070	\$134,388

Firm Sales (United's Confidential Workpapers, File No. 200100752)

Winter Season Revenue Change:

- 1) Docket GR-2001-397
- 2) File No. 200100752
- 3) Prepared By: Kim J. Elvington
- 4) Date Prepared: 01-25-01

1,518,664 Ccf
\$480,438 Increase

Month	Estimated Customer Usage Ccf/Mnth	Estimated % Ccf/Yr	Estimated Company Sales Ccf/Mnth
Nov	97	8%	121,493
Dec	179	15%	227,800
Jan	236	20%	303,733
Feb	217	18%	273,360
Mar	159	13%	197,426
Apr	96	8%	121,493
May	53	4%	60,747
Jun	36	3%	45,560
Jul	28	2%	30,373
Aug	27	2%	30,373
Sep	30	3%	45,560
Oct	42	4%	60,747
TOTAL	1200	100%	1,518,664

United Gas Company - Hannibal/Cannibal
2001 Winter Season Revenue Impact effective 02/01/01

Month	PGA Factor	Month	PGA Factor	PGA Change (12/01/00)	Revenue Impact (Winter Season)
Nov-99	\$0.2921	Nov-00	\$0.6861	\$0.39400	\$460,983
Dec	\$0.2921	Dec	\$0.6861	\$0.39400	\$864,343
Jan-00	\$0.3859	Jan-01	\$0.6861	\$0.30020	\$878,091
Feb	\$0.3057	Feb	\$1.0387	\$0.73300	\$1,929,635
March	\$0.3266	March	\$1.0387	\$0.71210	\$1,353,889

Firm Sales (United's Confidential Workpapers, File No. 200100752)

Winter Season Revenue Change:

- 1) Docket GR-2001-397
- 2) File No. 200100752
- 3) Prepared By: Kim J. Elvington
- 4) Date Prepared: 01-25-01

14,625,098 Ccf
\$5,486,942 Increase

Month	Estimated Customer Usage Ccf/Mnth	Estimated % Ccf/Yr	Estimated Company Sales Ccf/Mnth
Nov	97	8%	1,170,008
Dec	179	15%	2,193,765
Jan	236	20%	2,925,020
Feb	217	18%	2,632,518
Mar	159	13%	1,901,263
Apr	96	8%	1,170,008
May	53	4%	585,004
Jun	36	3%	438,753
Jul	28	2%	292,502
Aug	27	2%	292,502
Sep	30	3%	438,753
Oct	42	4%	585,004
TOTAL	1200	100%	14,625,098

United Cities Gas Company - Neelyville
2001 Winter Season Revenue Impact effective 02/01/01

Month	PGA Factor	Month	PGA Factor	PGA Change (12/01/00)	Revenue Impact (Winter Season)
Nov-99	\$0.3482	Nov-00	\$0.7675	\$0.41930	\$14,762
Dec	\$0.3179	Dec	\$0.7675	\$0.44960	\$29,678
Jan-00	\$0.3217	Jan-01	\$0.7675	\$0.44580	\$15,695
Feb	\$0.2502	Feb	\$1.0549	\$0.80470	\$63,743
March	\$0.2502	March	\$1.0549	\$0.80470	\$46,036

Firm Sales (United's Confidential Workpapers, File No. 200100520)

Winter Season Revenue Change:

- 1) Docket GR-2001-397
- 2) File No. 200100752
- 3) Prepared By: Kim J. Elvington
- 4) Date Prepared: 01-25-01

440,072 Ccf
\$169,914 Increase

Month	Estimated Customer Usage Ccf/Mnth	Estimated % Ccf/Yr	Estimated Company Sales Ccf/Mnth
Nov	97	8%	35,206
Dec	179	15%	66,011
Jan	236	20%	88,014
Feb	217	18%	79,213
Mar	159	13%	57,209
Apr	96	8%	35,206
May	53	4%	17,603
Jun	36	3%	13,202
Jul	28	2%	8,801
Aug	27	2%	8,801
Sep	30	3%	13,202
Oct	42	4%	17,603
TOTAL	1200	100%	440,072

Service List for
Case No. GR-2001-397
Revised: January 26, 2001 (SW)

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