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June 26, 2001

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

FILED

JUN 26 2001

Missouri Public
Service Commission

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,

Dennis L. Frey
Associate General Counsel
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(573) 751-9285 (Fax)
dfrey03@mail.state.mo.us

DLF:ccl
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
JUN 26 2001

Missouri Public
Service Commission

In the matter of United Cities Gas)
Company's Purchased Gas Adjustment)
Tariff Revisions to be Reviewed in Its)
2000-2001 Actual Cost Adjustment)

Case No. GR-2001-397

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and respectfully states:

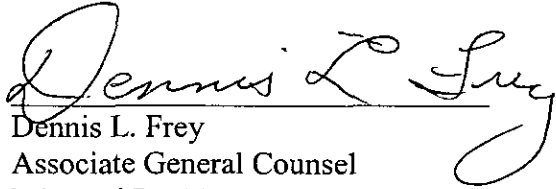
1. On June 15, 2001, United Cities Gas Company ("United Cities" or "Company") filed with the Missouri Public Service Commission ("Commission") a tariff sheet reflecting unscheduled changes in United Cities' Purchased Gas Adjustment ("PGA") factors as a result of changes in the cost of natural gas for the remainder of the summer season. In conjunction with this proposed tariff, United Cities also filed on June 15 a request for a one-time variance from the PGA clause of the Company's tariff.

2. In the attached Memorandum, which is labeled Appendix A, the Staff recommends that the Commission grant United Cities' request for a variance and approve the Company's proposed tariff on an interim-subject-to-refund basis.

WHEREFORE, the Staff respectfully requests that the Commission issue an order in accordance with the recommendations in the Staff's Memorandum attached hereto.

Respectfully submitted,

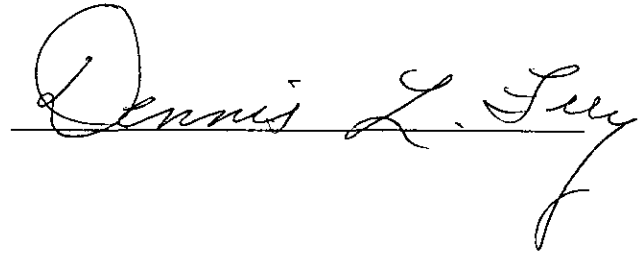
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Certificate of Service

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 June 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. 200101192, United Cities
Gas Company

FROM: *KJE. WW* Kim J. Elvington, Energy Department - Tariffs/Rate Design *D-2 6-25-01*
Wes H. H. 6-22-01 *Thomas R. Schwan Jr. 6/25/01*
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation for United Cities Gas Company's Request for
a One-time Variance and Unscheduled Summer Season PGA Filing
Effective July 1, 2001.

DATE: June 21, 2001

On June 15, 2001, United Cities Gas Company (United or Company) of Franklin, Tennessee, filed a tariff sheet proposed to become effective July 1, 2001. The tariff sheet was filed to reflect unscheduled changes in United's Purchased Gas Adjustment (PGA) factors as the result of estimated changes in the cost of natural gas for the remaining summer season. The summer season includes the months of April through October.

In conjunction with the filing of this tariff sheet, United filed a REQUEST FOR VARIANCE FROM TARIFF PROVISIONS (Motion). This Motion requests a one-time variance from the PGA Clause of United's tariff due to the decrease in the market price of natural gas. In addition, United cites the following reasons for approval of this one-time variance:

1. Provide a more accurate price signal to consumers regarding the current cost of natural gas.
2. Assist in keeping the Deferred Carrying Cost Balance (DCCB) and the Actual Cost Adjustment (ACA) balances at appropriate levels and not create significant over-collections or under-collections that would need to be reflected in future periods.

For the Bowling Green District, the effect of these changes will decrease the firm PGA factor for the remainder of the 2001 summer season to \$0.7964 per Ccf from the firm PGA factor of \$1.0532 per Ccf currently in effect. The PGA factor would decrease by 24.4% under this proposal.

For the Hannibal/Canton District, the effect of these changes will decrease the firm PGA factor for the remainder of the 2001 summer season to \$0.7819 per Ccf from the firm PGA factor of \$1.0387 per Ccf currently in effect. The PGA factor will decrease by 24.7% under this proposal.

For the Palmyra District, the effect of these changes will decrease the firm PGA factor for the remainder of the 2001 summer season to \$0.9008 per Ccf from the

Mo PSC CASE NO. GR-2001-397
OFFICIAL CASE FILE MEMORANDUM
PAGE 2 OF 2

firm PGA factor of \$1.1576 per Ccf currently in effect. The PGA factor would decrease by 22.2% under this proposal.

For the Neelyville District, the effect of these changes will decrease the firm PGA factor for the remainder of the 2001 summer season to \$0.7771 per Ccf from the firm PGA factor of \$1.0549 per Ccf currently in effect. The PGA factor would decrease by 26.3% under this proposal.

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 Actual Cost Adjustment (ACA) filing. Case No. GR-2000-392 was established to track the Company's PGA Factors to be reviewed in its 1999-2000 ACA filing. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-2000-392 and GR-2001-397.

The Commission's Energy Department - Tariffs/Rate Design Staff (Staff) has reviewed the Motion and agrees that the one-time Variance request be granted. Staff has also reviewed the PGA filing and has determined that, with the exception of the one-time Variance request to file an unscheduled summer PGA, 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 a minimum of ten (10) business days notice for PGA change filings. Therefore, Staff recommends that the Commission grant the one-time Variance as requested by United on June 15, 2001 and approve the following tariff sheet to become effective July 1, 2001, interim subject to refund:

P.S.C. Mo. No. 3

10th Revised SHEET No. 58, Cancelling 9th 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 - Energy Department
Mark Thessin, V.P. Regulatory Affairs (United)
Mark A. Martin, Senior Analyst/ Rate Administration (United)
Office of the Public Counsel

SUMMER SEASON

Approximate Billing Impact Of 312 Ccf per Summer Season

United Cities - Bowling Green

Residential Heating Customer

	Summer Season (Months)	Ccf Usage	Total Fuel Bill (\$)
>	April 2001	96	132.63
>	May	53	76.47
>	June	36	54.27
>	July	28	43.82
>	August	27	42.51
>	September	30	46.43
>	October	42	62.10
	5 Month Summer Season Total	312.0	\$458.23

	Forecasted Summer Season (Months)	Ccf Usage	Total Fuel Bill (\$)
>	April 2001	96	132.63
>	May	53	76.47
>	June	36	54.27
*	July	28	36.63
*	August	27	35.58
*	September	30	38.73
*	October	42	51.32
	5 Month Summer Season Total	312.0	\$425.63

REMARKS

For a typical residential customer using approximately 312 Ccf's during the summer season (April-October), natural gas rates will decrease by \$32.60 or approximately 7% when comparing the fuel bills for the current summer season before and after the scheduled filing effective July 1, 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, 7th Revised: PGA Charge = \$1.0532 per Ccf.
- * Tariff Sheet No. 58, 10th Revised: PGA Charge = \$0.7964 per Ccf.

Missouri Public Service Commission

June 2001

SUMMER SEASON

Approximate Billing Impact Of 312 Ccf per Summer Season
United Cities - Hannibal/Canton
Residential Heating Customer

	Summer Season (Months)	Ccf Usage	Total Fuel Bill (\$)
>	April 2001	96	131.23
>	May	53	75.70
>	June	36	53.74
>	July	28	43.41
>	August	27	42.12
>	September	30	46.00
>	October	42	61.49
	5 Month Summer Season Total	312.0	\$453.69

	Forecasted Summer Season (Months)	Ccf Usage	Total Fuel Bill (\$)
>	April 2001	96	131.23
>	May	53	75.70
>	June	36	53.74
*	July	28	36.22
*	August	27	35.19
*	September	30	38.29
*	October	42	50.71
	5 Month Summer Season Total	312.0	\$421.08

REMARKS

For a typical residential customer using approximately 312 Ccf's during the summer season (April-October), natural gas rates will decrease by \$32.61 or approximately 7% when comparing the fuel bills for the current summer season before and after the scheduled filing effective July 1, 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, 7th Revised: PGA Charge = \$1.0387 per Ccf
- * Tariff Sheet No. 58, 10th Revised: PGA Charge = \$0.7819 per Ccf

Missouri Public Service Commission
June 2001

SUMMER SEASON
 Approximate Billing Impact Of 312 Ccf per Summer Season
 United Cities - Palmyra
 Residential Heating Customer

	Summer Season (Months)	Ccf Usage	Total Fuel Bill (\$)
>	April 2001	96	142.65
>	May	53	82.00
>	June	36	58.02
>	July	28	46.74
>	August	27	45.33
>	September	30	49.56
>	October	42	66.49
	5 Month Summer Season Total	312.0	\$490.79

	Forecasted Summer Season (Months)	Ccf Usage	Total Fuel Bill (\$)
>	April 2001	96	142.65
>	May	53	82.00
>	June	36	58.02
#	July	28	39.55
#	August	27	38.40
#	September	30	41.86
#	October	42	55.70
	5 Month Summer Season Total	312.0	\$458.18

REMARKS

For a typical residential customer using approximately 312 Ccf's during the summer season (April-October), natural gas rates will decrease by \$32.61 or approximately 7% when comparing the fuel bills for the current summer season before and after the scheduled filing effective July, 1, 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 \$9.05; Commodity Charge \$0.2528 per Ccf
- > Tariff Sheet No. 58, 9th Revised PGA Charge \$1.1576 per Ccf. \$0.4112 per Ccf
- # Tariff Sheet No. 58, 10th Revised: PGA Charge \$0.9008 per Ccf

Missouri Public Service Commission

June 01

SUMMER SEASON
 Approximate Billing Impact Of 312 Ccf per Summer Season
 United Cities - Neelyville
 Residential Heating Customer

	Summer Season (Months)	Ccf Usage	Total Fuel Bill (\$)
>	April 2001	96	132.79
>	May	53	76.56
>	June	36	54.33
>	July	28	43.87
>	August	27	42.56
>	September	30	46.48
>	October	42	62.17
	5 Month Summer Season Total	312.0	\$458.76

	Forecasted Summer Season (Months)	Ccf Usage	Total Fuel Bill (\$)
>	April 2001	96	132.79
>	May	53	76.56
>	June	36	54.33
*	July	28	36.09
*	August	27	35.06
*	September	30	38.15
*	October	42	50.51
	5 Month Summer Season Total	312.0	\$423.49

REMARKS

For a typical residential customer using approximately 312 Ccf's during the summer season (April-October), natural gas rates will decrease by \$35.27 or approximately 8% when comparing the fuel bills for the current summer season before and after the scheduled filing effective July 1, 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, 9th Revised: PGA Charge \$1.0549 per Ccf
 - * Tariff Sheet No. 58, 10th Revised: PGA Charge \$0.7771 per Ccf

Missouri Public Service Commission

June 2001

**Service List for
Case No. GR-2001-397
Revised: June 26, 2001 (ccl)**

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