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May 1, 2000

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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

FILED²

MAY 01 2000

Missouri Public
Service Commission

RE: Case No. GR-2000-319

Dear Mr. Roberts:

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

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,

Robert V. Franson
Assistant General Counsel
(573) 751-6651
(573) 751-9285 (Fax)

RF/dkf
Enclosure
cc: Counsel of Record

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
MAY 01 2000
Missouri Public
Service Commission

In the Matter of Greeley Gas Company's)
Purchase Gas Adjustment factors to be)
reviewed in its 1998-1999 Actual Cost)
Adjustment.)

Case No. GR-2000-319

STAFF'S RECOMMENDATION FOR APPROVAL

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

1. This case was established in connection with the November 4, 1999, filing by Greeley Gas Company ("Company") of proposed tariff sheets, carrying an effective date of December 1, 1999, with the Commission. The tariff sheets were filed to reflect scheduled changes in MPS's Purchased Gas Adjustment ("PGA") factors for the winter season to follow. On or about November 29, 1999, the Staff filed a Memorandum recommending approval of the rates on an interim basis, subject to refund, and the Commission so ordered on November 23, 2000, 2000

2. The Commission's Order Approving Interim Rates also ordered the Commission's Procurement Analysis Department to conduct its audit of this ACA period and submit its results and recommendations regard this ACA filing on or before May 1, 2000 regarding the Company's aforementioned November 4, 1999 ACA filing.

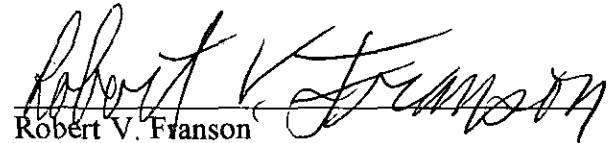
3. Attached hereto and incorporated by reference is the Staff's Recommendation in this case. Staff recommends that the Commission issue an order: a) requiring the Company to MPS

to adjust the ACA balance in its next ACA filing by \$64,703 [(\$16,866) + (\$2,019) + (\$44,599)] from \$17,541 over-recovery balance to \$82,244 over-recovery balance to reflect the adjustments discussed above; b) requiring the Company to Reduce the Refund balance owed by the Company in its next ACA filing by \$2,828; c) respond to recommendations included herein within 30 days.

WHEREFORE, Staff respectfully requests that the Commission issue its order in accordance with the Staff's Memorandum, attached hereto as Appendix A.

Respectfully submitted,

DANA K. JOYCE
General Counsel

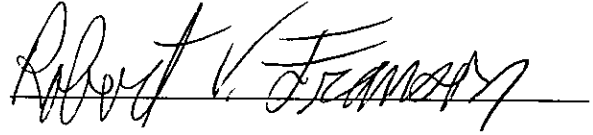


Robert V. Franson
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Missouri Bar No. 34643

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Missouri Public Service Commission
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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 1st day of May, 2000.

A handwritten signature in cursive script, reading "Robert V. Freeman", is written over a horizontal line.

**Service List for
Case No. GR-2000-319
May 1, 2000**

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Bob Cline
Greeley Gas Company
381 Riverside Dr.
Franklin, TN 37064

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GR-2000-319, Greeley Gas Company

FROM: ^{gd}Phil Lock - Procurement Analysis Department ^{D.S.}
Lesa Jenkins ^{gd} Procurement Analysis Department

R.E. Schaller 4-21-00 Thomas R. Schwann Jr. 5/1/00
Utility Services Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation in Greeley Gas Company's 1998-99 Actual Cost
Adjustment Filing for its Southwest Missouri district

DATE: May 1, 2000

The Procurement Analysis Department (Staff) has reviewed Greeley Gas Company's (Greeley or Company) 1998-99 Actual Cost Adjustment (ACA) filing for its Southwest Missouri District. This filing was made on November 5, 1999, for rates to become effective December 1, 1999, and was docketed as Case No. GR-2000-319. The audit consisted of an analysis of the billed revenues and actual gas costs, for the period of June 1998 to May 1999, included in the Company's computation of the ACA rate. There are approximately 600 customers on Greeley's Southwest Missouri District.

COMPLIANCE ADJUSTMENTS

State Line Fees

During the months of June 1998 through May 1999, Greeley included state line fees as a cost of gas in Missouri. State line fees are intra-company transportation costs, which are not allowed in Missouri. The Staff proposes to reduce the cost of gas by \$16,866.

Reallocation of Williams Storage, Transportation, and Gas Commodity

Staff allocated Williams Natural Gas (WNG) transportation, WNG storage, and gas commodity costs to Missouri by identifying each cost to the proper demand or commodity related component. The transportation, storage, and gas commodity costs were then multiplied by the allocation factors developed by the Staff. The Staff proposes a net decrease of \$18,765 (\$1,021 + \$17,744) to the demand cost of storage and transportation (using a demand allocation factor of 2.03% versus 3.86%). In addition, the Staff proposes a net decrease of \$23,146 in the cost of gas and a \$2,688 (\$1,033 + \$1,655) decrease in the commodity cost of storage and transportation that results in a total decrease of \$44,599 (\$18,765 + \$23,146 + \$2,688).

Storage

Staff reconstructed Company's storage inventory schedule to reflect Greeley's storage injection and withdrawal levels with WNG (under Contract TAO544) and to reflect the allocation factors developed by Staff. Staff then determined the cost of storage withdrawals by using the current weighted average cost method. The Staff proposes a net decrease in the cost of storage withdrawals, which decreases the cost of gas by \$1,219.

Gas Supply Realignment Costs

Greeley filed Gas Supply Realignment (GSR) costs of \$5,655 during the months of June 1998 through December 1998. Staff developed allocated costs of \$3,636 to reflect GSR costs from WNG Dockets RP 97-220, RP 98-12, and RP 98-105 that have been incurred and paid during the 1998-99 ACA period. The Staff therefore proposes to decrease the cost of gas by \$2,019.

Ad Valorem Refunds

Refunds of \$15,561 were filed by Greeley to reflect Ad Valorem refunds received from WNG. Staff allocated Ad Valorem refunds based on a demand allocation factor of 2.03% (Company used a 3.86% allocation factor). These results in a \$2,828 (\$15,561 to \$12,733) decrease in the refund amount owed to Greeley's customers. The refund factor would reflect a rate change from (\$.0293) to (\$.024). This change does not affect the ACA balance.

Billing System

Greeley changed its billing system during this ACA period, and the usage data did not appear reasonable during certain months. Some billings include that month's usage plus corrections for the previous month's usage, and the procedure for this adjustment is not clear. These adjustments complicate Staff's analysis of peak day information for Commercial and Public Authority customers.

If billing adjustments are included in the usage data, Staff recommends that Greeley explain how adjustments in a prior month are reflected in the billing cycle data. Also, Greeley should indicate if the required adjustment was made to the prior billing month, or to the current billing month.

Reliability Study

Staff conducted an analysis of the current capacity levels on Greeley's distribution system; of the peak day forecasting methodology currently used by the Company; and of Greeley's capacity release methods. As a result of its analysis, Staff recommends that the Company submit the following analysis in all future ACA periods:

A) A comparison of actual sendout and heating degree-days (HDD) for recent peak days to Greeley's projected peak day design analysis to determine whether:

- ◆ The conditions used in Greeley's estimate of heat load usage provide an accurate representation of an actual peak day usage and whether these conditions should be modified, and
- ◆ The model is still reasonable (Include a comparison of deliveries on several peak days in the past few years to volumes predicted by the model based on HDD experienced on those days).

B) An updated economical and operational analysis of the pipeline capacity and peak day design to assure adequacy of Greeley's supply and transportation portfolio to meet firm requirements on a peak day and throughout the winter season. (Greeley indicated that an economical and operational analysis of the pipeline capacity would be performed in the summer of 2000). Staff also recommends that Greeley include an estimate of growth on their Williams system for three to five years so that a reserve margin can be estimated for the 1999/2000 ACA period and beyond.

SUMMARY

The Staff has addressed the following concerns regarding Case No. GR-2000-319 for Greeley Gas Company's Southwest Missouri District and proposes the following:

- ◆ That Greeley reduces gas costs by \$16,866 to eliminate state line fees that are not allowed in Missouri.
- ◆ That Greeley applies the Staff adjusted WNG storage, WNG transportation, and gas commodity charges that reduces the cost of gas by \$44,599 (\$18,765 + \$23,146 + \$2,688).
- ◆ That Greeley adopts Staff's revised storage inventory schedule that results in less withdrawals and reduced gas costs of \$1,219.
- ◆ That Greeley adopts the Staff adjusted Gas Supply Realignment (GSR) costs of \$3,636 for the months of June 1998 through May 1999. This reflects a \$2,019 decrease in the cost of gas.
- ◆ That Greeley reduces the refund amount due to its customers by \$2,828. This would reflect a refund factor change from (\$.0293) to (\$.024). This change does not affect the ACA balance.
- ◆ Greeley's billing system change during this ACA period made Staff's analysis of Company's peak day information more difficult. In future ACA periods, Staff recommends that Greeley explain how adjustments are reflected in the billing cycle and also explain the timing effects of the adjustments.
- ◆ Staff conducted a reliability study that analyzes current capacity levels, capacity releases, and peak day forecasting methodology used by the Company. Staff's recommendations are included in the "Reliability Study" section of this ACA recommendation.

| Description | ACA Balance Per Filing | Staff Adjustments | ACA Balance Per Staff |
|-------------------------------|------------------------|-------------------|-----------------------|
| Prior ACA Balance | (\$25,249) | \$0 | (\$25,249) |
| Revenue Recovery | (\$168,029) | \$0 | (\$168,029) |
| State Line Fees | \$16,866 | (\$16,866) | \$0 |
| GSR Costs | \$5,655 | (\$2,019) | \$3,636 |
| Storage Injection/Withdrawals | \$7,038 | (\$1,219) | \$5,819 |
| WNG Storage /Transport & Gas | \$146,178 | (\$44,599) | \$101,579 |
| Total (Over)/Under Recovery | (\$17,541) | (\$64,703) | (\$82,244) |

RECOMMENDATIONS

The Staff recommends that the Commission issue an order requiring Greeley Gas Company to:

1. Adjust the ACA balance in its next ACA filing by \$64,703 [(\$16,866) + (\$2,019) + (\$1,219) + (\$44,599)] from \$17,541 over-recovery balance to \$82,244 over-recovery balance to reflect the adjustments discussed above.
2. Reduce the Refund balance owed by Greeley in its next ACA filing by \$2,828.
3. Respond to recommendations included herein within 30 days.

cc: Director - Utility Operations Division
Director - Research and Public Affairs Division
Director - Utility Services Division
Manager - Procurement Analysis Department
Manager - Gas Department
General Counsel
Office of the Public Counsel
Bob Cline - Manager, Rate Administration (Greeley)
James M. Fischer - Attorney for Greeley Gas
Phil Lock