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February 9, 2001

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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-99-392

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of the **STAFF RESPONSE TO ATMOS' PEAK DAY STUDY**.

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.

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

TRS:sw
Enclosure
cc: Counsel of Record

FILED²
FEB 09 2001

Missouri Public
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
FEB 09 2001
Missouri Public
Service Commission

In the Matter of Associated Natural Gas)
Company's Purchased Gas Adjustment)
Factors to be reviewed in its 1998-1999)
Actual Cost Adjustment.)

Case No. GR-99-392

STAFF RESPONSE TO ATMOS' PEAK DAY STUDY

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

1. On August 1, 2000, the Staff filed its recommendation in this case regarding its audit of the natural gas costs for Associated Natural Gas Company ("ANG") for the Actual Cost Adjustment ("ACA") period of September 1, 1998, to August 31, 1999. Staff recommended *inter alia* that the Commission order ANG to continue to provide certain information regarding the reliability of its system gas supply.

2. Atmos Energy Corporation ("Atmos"), which acquired ANG's Missouri properties on May 31, 2000, intervened in this case. In a pleading filed December 7, 2000, Staff noted that Atmos had agreed as part of the Stipulation and Agreement in Case No. GM-2000-312 to file a peak day study with the Commission by December 31, 2000. Staff stated that if the December 31 filing was sufficient, it would also satisfy the Staff's concerns in this case.

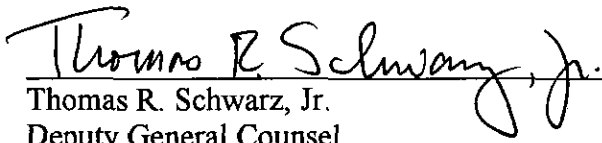
3. The Staff reviewed Atmos' Peak Day Study, and filed its response on January 30, 2001 in Case No. GM-2000-312. In that response Staff listed a number of items in the study which were unsatisfactory. Staff has those same concerns with respect to this case. Staff

incorporates by reference its pleading in Case No. GM-2000-312, and attaches a copy hereto as Attachment A.

WHEREFORE, Staff asks the Commission to order Atmos to provide the additional data, analyses and documentation listed in Attachment A in order that Staff may make a meaningful review of Atmos' peak day requirements and resources. The Commission should order Atmos to provide this information not later than May 1, 2001.

Respectfully submitted,

DANA K. JOYCE
General Counsel


Thomas R. Schwarz, Jr.
Deputy General Counsel
Missouri Bar No. 29645

Attorney for the Staff of the
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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 9th day of February, 2001.

Thomas R. Schwab, Jr.

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

FILED²
JAN 30 2001
Missouri Public
Service Commission

In the Matter of Atmos Energy)
Corporation and Arkansas Western Gas)
Company d/b/a Associated Natural Gas)
Company.)

Case No. GM-2000-312

STAFF RESPONSE TO ATMOS' PEAK DAY REPORT

COMES NOW the Staff ("Staff") of the Public Service Commission of the State of Missouri ("Commission"), and in response to a Peak Day Report filed by Atmos Energy Corporation ("Atmos") on January 2, 2001, states as follows:

1. On April 20, 2000, the Commission approved a unanimous Stipulation and Agreement ("S&A") recommending approval of the transfer of the Missouri operating properties of Arkansas Western Gas Company d/b/a Associated Natural Gas Company ("ANG") to Atmos.

2. One requirement of the S&A was that Atmos prepare and file with the Commission no later than December 31, 2000, a thorough, detailed, well-documented peak day study with regard to the SEMO, Kirksville, and Butler systems/districts and contracts which it purchased from ANG.

3. A second requirement of the S&A was that Atmos ensure that existing overall ANG Missouri peak day firm gas supply sources, firm transportation capacity, and firm storage capacity (including supplies from the LNG plant) are maintained at essentially the same overall

firm ANG Missouri levels at the time of the closing of the Sale; and any changes made by Atmos at the time the Sale is completed with regard to ANG's current overall firm peak day supply and/or transportation levels and firm peak day supply and/or transportation mix do not increase costs to Missouri ratepayers. Provided, that Atmos is not prohibited from making changes to its Missouri peak day firm gas supply sources, firm transportation capacity, and firm storage capacity or its transportation mix, if necessary to prudently serve its Missouri customers in the future. It is understood that such changes may affect the Company's gas supply costs.

4. On January 2, 2001, Atmos filed its peak day study for its Missouri operating properties. Separate sections analyzed Atmos' Jackson system (served by NGPL); Piedmont system (served by MRT); Butler system (served by Panhandle Eastern); Kirksville system (served by ANR); and the SEMO or Integrated system (served by AWP/Ozark, TETCO, NORAM, and an LNG peaking plant). After reviewing the filing, Staff states that the study is not "thorough, detailed and well-documented" with respect to any of the systems analyzed, and notes problems with the reported results for each system.

Problems Common to All System Reports

5. The study for each system contained an estimate of peak day requirements, actual comparisons of usage on actual days to the estimated usage obtained by application of Atmos' model. The study did not contain work papers, nor calculations supporting Atmos' estimates. The Staff had requested in its Staff Recommendation filed on August 1, 2000, in Atmos' ACA Case No GR-99-392, that Atmos provide specific information and analysis regarding peak day use.

6. The Staff recommends that a Peak Day study for each of the five systems contain the following items in addition to the items already provided:

- a. An estimate of annual demand;
- b. An explanation of the supply, transportation, and storage resources to meet the peak and annual demand;
- c. An explanation of the disparity between the demand predicted by Atmos' model and the actual demand on the sample days;
- d. The reserve margin for the current ACA period and the expected margins for the next three ACA periods;
- e. Copies of all gas supply, transportation, storage, and propane contracts (including service agreements, letter agreements, term sheets, etc.) in effect for the peak day study period;
- f. A summary of the major provisions of such contracts, including maximum daily quantities (MDQ), maximum daily injection quantities (MDIQ), maximum daily withdrawal quantities (MDWQ);
- g. A summary of contract assignments for each Missouri service area;
- h. For storage and peak shaving facilities:
 - 1. Documents showing MDWQ at the beginning of the heating season, storage capacity, and cushion gas volumes,
 - 2. Documents showing constraints in use of such facilities,
 - 3. Supporting documentation, studies, reports and calculations;
- i. An explanation of the reasonableness of reserve margins;
- j. A copy of the criteria and procedures for ensuring reliable supply.

- k. A copy of the procedures for ensuring adequate pressure for firm customers on a peak day;
 - l. A copy of the curtailment plans and any other contingency plans for supply or transportation interruptions.
7. Supporting information should be provided in hard copy and in Excel spreadsheet, to include:
- a. Two years of December through February daily pipeline receipts, daily pipeline deliveries, daily interruptible deliveries, monthly sales volumes by customer class, and monthly heating degree days;
 - b. The thirty year series of the daily heating degree days used;
 - c. The customer growth estimates used, and supporting data and calculations;
 - d. Regression analysis and data used to estimate base load factors and heat load factors.
8. If capacity is not sufficient to meet 30-year historical peak heating degree days, provide an economic explanation comparing the cost of additional capacity to the cost of contract penalties.
9. Atmos excluded unreasonably high or low peak heating degree days, but provided no explanation. Further, Atmos based its calculations on a single peak day for each year. Atmos should provide an explanation for these practices, and show the calculations.

System-specific Concerns

Jackson System

- 10. Please explain the discrepancies between the estimate demand and actual demand on 1/4/99.
- 11. The commercial usage calculation for 1/25/00 appears incorrect. Please explain.
- 12. Atmos states that Poplar Bluff weather is used for the Jackson review, but the attached sheet appears to be Kirksville weather. Please explain.

Piedmont System

13. The Piedmont daily base/commercial customer peak day is shown as zero. Please explain.
14. Please explain the discrepancies between the estimated 1/4/99 and 1/27/00 estimated firm sales and actual firm sales.
15. Atmos states that Poplar Bluff weather is used for the Piedmont review, but the attached sheet appears to be Kirksville weather. Please explain.

Butler System

16. The commercial usage calculation for 12/20/99 appears incorrect. Please explain.
17. Atmos shows 72 heating degree days as the peak, based on Kansas City, Missouri weather data. Atmos states that 30+ years of weather data is reviewed. The attached list includes only 28 years of data shown as Kirksville, and three of those 28 years have peak days colder than 72. Please explain.

Kirksville System

18. The commercial usage calculation for 1/26/00 appears incorrect. Please explain.
19. The weather data includes 40 data points, five of which are colder than 75 heating degree days, but the Company uses 75 HDD as the peak day. Please explain.

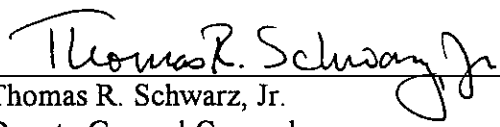
SEMO or Integrated System

20. Please explain how the usage for the 8 industrial firm customers was estimated for 12/20/98 and 12/22/99.
21. Please explain why Paducah, Kentucky weather data is more appropriate than data for Cape Girardeau or Poplar Bluff, Missouri.
22. Using Paducah weather data Atmos has determined a 68 heating degree day peak. The data shows a greater peak day in December 1989. Please explain.

WHEREFORE, Staff asks the Commission to order Atmos to provide the additional data, analyses and documentation listed above in order that Staff may make a meaningful review of Atmos' peak day requirements and resources. The Commission should order Atmos to provide this information not later than May 1, 2001

Respectfully submitted,

DANA K. JOYCE
General Counsel

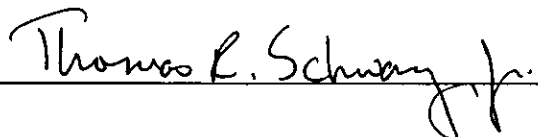


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Certificate of Service

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 January 31, 2001.



Thomas R. Schwarz, Jr.

**Service List for
Case No. GR-99-392
Revised: February 9, 2001 (SW)**

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