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March 2, 2001

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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. GA-98-464

Dear Mr. Roberts:

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

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,

A handwritten signature in cursive script that reads "Dennis L. Frey".

Dennis L. Frey
Associate General Counsel
(573) 751-8700
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dfrey03@mail.state.mo.us

DLF:ccl
Enclosure
cc: Counsel of Record

MAR 05 2001

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

In the Matter of the Application of United)
Cities Gas Company, a division of Atmos)
Energy Corporation, for an Accounting)
Authority Order Related to Investigation)
and Response Actions Associated with its)
Former Manufactured Gas Plant Site in)
Hannibal, Miss)

Case No. GA-98-464

STAFF'S SUGGESTIONS

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

1. On April 15, 1998, United Cities Gas Company, a division of Atmos Energy Corporation ("United Cities" or "Company"), filed with the Missouri Public Service Commission ("Commission") an Application for Accounting Authority Order to defer costs associated with the investigation, assessment, and environmental response actions at the Company's former Manufactured Gas Plant ("MGP") site in Hannibal, Missouri.

2. On February 25, 1999, the Commission issued an Accounting Authority Order ("AAO") with respect to "costs incurred or payments received between March 31, 1998 and the effective date of the rates established in United Cities' next general rate case or the beginning of the deferral period of any subsequent accounting authority order for the same costs, whichever is earlier." The Commission directed that the AAO was to become null and void in the event that United Cities had not filed a rate case within 24 months of March 9, 1999.

3. On February 5, 2001, United Cities filed with the Commission a Motion for Modification of Accounting Authority Order, requesting that the Commission modify the subject AAO by extending the date on which the AAO would become null and void (unless a general rate case is filed) from March 9, 2001 to March 9, 2002. The Company explained that it does not believe it would be desirable to file a rate case before March 9, 2001, and that accordingly, if the time frame of the AAO is not extended, the Company will be required to write off some \$377,000 in costs already incurred, as well as an additional \$123,000, which it expects to incur over the next twelve (12) months.

4. On February 6, 2001, the Office of the Public Counsel ("OPC") filed a Response opposing United Cities' request. OPC argues that the United Cities' decision not to file a rate case shows that the Company regards its earnings as sufficient, and cites parent Atmos Energy Corporation statistics indicating a healthy increase in profits in recent months. OPC further argues that the Commission deemed reasonable, the 24-month time frame that the Company now seeks to have extended, and that OPC would be unreasonably burdened by the added complications of auditing an additional third year.

5. On February 8, 2001, the Company filed a Reply to OPC's Response, arguing, among other things, that the costs involved are non-recurring and extraordinary, and that they must necessarily "be spread over a number of years." OPC filed a Response to the Company's Reply, wherein OPC, citing a 1991 Commission case, states that "[t]he deferral of costs from one period to another for the development of a revenue requirement violates the traditional method of setting rates."

6. The Staff suggests that the Commission should deny the Company's request for a one-year extension in the duration of the AAO. Historically, Staff has supported the

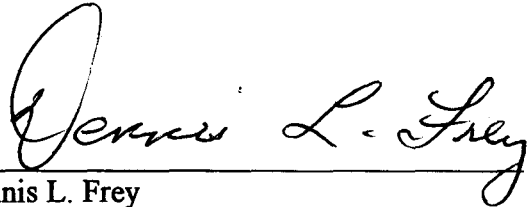
Commission imposing a rate case filing deadline up front in connection with AAO approvals. This ensures that the utility has a clear idea of what is required. The two-year time period established in this case, in addition to being clear and definite, helps to minimize the required amount of regulatory oversight. To have the Commission subsequently extend that date would make such an up-front deadline meaningless. As noted by OPC, United Cities, if it felt aggrieved by the Commission's decision, could have sought rehearing, and subsequently taken an appeal. Further, the Company, at any time during the past two years, could have filed a rate case to ensure an opportunity to recover the costs at issue, and indeed, may still do so.

7. The Staff is likewise opposed to United Cities' alternative request, also set forth in its February 5, 2001 Motion, that the Commission issue a subsequent accounting authority order authorizing the Company to defer all costs associated with the investigation, assessment and environmental response actions at the Hannibal MGP. The Company appears to suggest that if the Commission is not disposed to grant the requested extension in the expiration date of the subject AAO, the Commission's concerns may be allayed simply by associating the subject monies with a new accounting authority order. On the contrary, the establishment of a new accounting authority order will do nothing to address the concerns raised by Staff and OPC. The Staff is opposed to granting United Cities a new manufactured gas plant AAO without the opportunity for all parties to submit new evidence to the Commission on the matter.

WHEREFORE, the Staff suggests that the Commission deny United Cities' request to extend by one year the date on which the subject AAO is to become null and void, as well as the Company's alternative request that a subsequent accounting authority order be issued to collect the subject costs.

Respectfully submitted,

DANA K. JOYCE
General Counsel

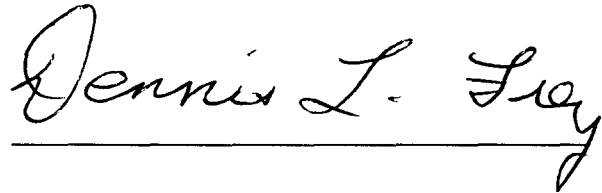


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Certificate of Service

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 2nd day of March 2001.



**Service List for
Case No. GA-98-464
Verified: March 2, 2001**

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