

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 31st
day of July, 1997.

In the Matter of Greeley Gas Company's Tariff	)	
Revisions to be Reviewed in Its 1995-1996 Actual	)	<u>Case No. GR-96-124</u>
Cost Adjustment.	)	
	)	

ORDER APPROVING ACTUAL COST ADJUSTMENT

Greeley Gas Company (Greeley), a Division of Atmos Energy Corp. of Denver, Colorado, submitted a tariff sheet for Commission approval on July 18, 1996. The tariff sheet reflects changes in the Purchased Gas Adjustment (PGA) factors for its Rich Hill-Hume District resulting from changes in the cost to Greeley of the natural gas services it receives from its pipeline and suppliers. The tariff includes the termination of a refund and Greeley's calculation of the Actual Cost Adjustment (ACA) factor for the 1995-96 period. The net effect of these changes would be a decrease of approximately \$8,900 in the company's annual revenues.

Greeley's tariff sheet was approved on an interim, subject to refund, basis by the Commission's order dated July 30, 1996. The Commission directed its Procurement Analysis Department (Staff) to conduct an audit of the ACA period and file its recommendation no later than May 1, 1997.

Staff conducted the audit as directed and filed a memorandum on May 1 and made two recommendations regarding Greeley's 1995-96 ACA filing. First, Staff recommended that Greeley be required to provide proper documentation of the bid process and make RFPs available for the Staff's

review in the 1996-97 ACA audit. The company should include its evaluation of the proposals and a risk analysis that considers the costs and benefits of fixed pricing versus index pricing. Second, Staff recommended that the ACA balance be adjusted by \$8,250 from \$53,863 overrecovery balance to \$62,113 overrecovery balance to reflect the five adjustments more specifically set out below.

(1) In the course of its audit Staff discovered a \$4,266 discrepancy caused by booking an adjustment in both the 1994-95 filing and the 1995-96 filing. Staff stated that the adjustment should not have been booked in the 1995-96 filing and that gas costs, specifically Transition Cost Recovery (TCR), for this period should be reduced by \$4,266.

(2) Staff stated that Greeley restated its storage and transportation costs for this period but neglected to fully consider capacity release credits. Staff stated that gas costs should be reduced by \$685 to reflect the increased capacity release credits.

(3) Greeley was penalized for unauthorized withdrawal of depleted storage in April of 1996 in the amount of \$364,545. The penalty was calculated based on a rate of 3.058 percent (the April allocation rate). In May of 1996 Greeley reversed the penalty charge but based its calculations on a rate of 2.487 percent (the May allocation rate). Staff stated that the proper allocation rate is the May rate of 3.058 percent, resulting in a decrease in gas costs of \$2,082.

(4) Exhibit B of the company's filing reflects a PGA factor for November and December of 1995 of \$3.517/mcf. The rate tariffed and billed for those months was \$3.953/mcf. Accordingly, the revenues reflected for these months should be increased by \$5,506.

(5) The company's storage inventory schedule (Contract 544) did not reflect the proper weighted average costs. As a result there was a net increase in cost of withdrawals and gas costs should be increased by \$4,289.

Greeley responded to the Staff recommendation on June 9 agreeing to the adjustments to the overrecovery balance. Greeley responded as follows to Staff's request for documentation:

With regard to Staff's recommendation number two, in anticipation of the expiration of the Greeley Supply Contract on October 31, 1996, Request for Proposal (RFP) letters were mailed to thirty-six suppliers. Nine proposals were received by Greeley in response to the RFP. All of the proposals were evaluated based on market sensitive pricing provisions and the flexibility required to serve Greeley's customers in a reliable manner. The lowest pricing proposal was accepted for a one year term beginning on November 1, 1996. Documentation of the bid process and the applicable RFP letter will be made available for review upon request by the Staff in the context of the 1996-1997 ACA Audit.

Staff did not file a reply to Greeley's response.

The Commission has reviewed Greeley's ACA filing, Staff's recommendation, and Greeley's response and finds that the overrecovery balance should be adjusted as recommended by Staff and agreed to by the company. The Commission finds that Staff's request for documentation is reasonable and should be granted. The Commission notes that Greeley is in the process of providing that documentation voluntarily.

IT IS THEREFORE ORDERED:

1. That the Greeley Gas Company, a Division of Atmos Energy Corp.'s ACA balance shall be adjusted by \$8,250 from \$53,863 overrecovery balance to \$62,113 overrecovery.

2. That the Greeley Gas Company, a Division of Atmos Energy Corp., shall provide proper documentation of its bid process and make RFPs

available for the Staff's review in the 1996-97 ACA audit. The company shall include its evaluation of the proposals and a risk analysis that considers the costs and benefits of fixed pricing versus index pricing.

3. That this order shall become effective on August 12, 1997.

BY THE COMMISSION



**Cecil I. Wright
Executive Secretary**

(S E A L)

Zobrist, Chm., Crumpton,
Drainer, Murray and Lumpe,
CC., concur.

ALJ: Wickliffe