

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office in
Jefferson City on the 4th day of
June, 2002.

In the Matter of United Cities Gas Company's Tariff)
Filing to Revise Its PGA Clause.)
Case No. **GT-2002-361**

ORDER APPROVING STIPULATION AND AGREEMENT

Syllabus: This order approves the stipulation and agreement of the parties and directs United Cities Gas Company, a division of Atmos Energy Corporation, to submit tariff sheets in compliance with the order.

On January 25, 2002, United Cities Gas Company, a division of Atmos Energy Corporation, submitted proposed revised tariff sheets. The proposed tariff sheets would: (1) increase the number of permissible purchased gas adjustment (PGA) clause filings per year; (2) eliminate price caps from the estimation formula of PGA rates; (3) include hedging costs in the PGA calculation; and (4) eliminate the Deferred Carrying Cost Balance (DCCB) and its associated threshold levels relating to the computation of interest. The proposed tariff sheets were suspended on March 26, 2002.

On May 9, 2002, after meeting for a prehearing conference and having other negotiations, United Cities, the Staff of the Commission, and the Office of the Public Counsel filed a stipulation and agreement. The signatories have agreed that United Cities should be allowed make up to four PGA filings each year. The four filings would include a required Winter PGA and three Optional PGA filings. The parties agree that the "Optional

PGA filings shall be filed when the Company determines that elements have changed significantly from the currently effective factor." In addition, the parties agreed that the Optional PGA filings would "not become effective in two consecutive months unless specifically ... ordered by the Commission." The parties included illustrative tariff sheets with their agreement. Finally, the signatories agreed that the other tariff issues of this cases would be resolved in Commission Case No. 60-2002-452.¹

On May 23, 2002, Staff filed suggestions in support of the stipulation and agreement. Staff stated that in its opinion the settlement is appropriate because it will reduce the amount of overcollection or undercollection of gas costs from customers. Staff also stated that this agreement is consistent with tariffs recently approved in Case No. GT-2002-387.² Staff stated that the agreement is also consistent with the recommendations of the Commission's Natural Gas Task Force.

The Commission has the legal authority to accept a stipulation and agreement as offered by the parties as a resolution of issues raised in this case. In reviewing the Unanimous Stipulation and Agreement submitted by the parties, the Commission notes that⁴

[e]very decision and order in a contested case shall be in writing, and, except in default cases disposed of by stipulation, consent order or agreed settlement, the decision, including orders refusing licenses,

¹ *In the Matter of the Review of the Purchased Gas Adjustment Clauses in the Tariffs of Local Distribution Companies.*

² *In The Matter of Laclede Gas Company's Filing to Revise Its Purchased Gas Adjustment/Actual Cost Adjustment Tariff Sheet.*

³ Section 536.060, RSMo Supp. 2001.

⁴Section 536.090, RSMo Supp. 2001. *This provision applies to the Public Service Commission. State exret Midwest Gas Users'Association v. Public Service Commission of the State of Missouri*, 976 S.W.2d 485,496 (Mo. App., W.D. 1998).

shall include or be accompanied by findings of fact and conclusions of law.

Consequently, the Commission need not make either findings of fact or conclusions of law in this order. The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence .⁵ Since the parties waived their rights to a hearing as part of the stipulation and agreement, the Commission may grant the relief requested based on the Unanimous Stipulation and Agreement.

The Commission has reviewed the stipulation and agreement and has determined that the stipulation and agreement should be approved. The Commission will direct United Cities to file tariff sheets in compliance with the terms of the stipulation and agreement.

IT IS THEREFORE ORDERED:

1. That the Unanimous Stipulation and Agreement filed on May 9, 2002, by United Cities Gas Company, a division of Atmos Energy Corporation, the Staff of the Missouri Public Service Commission, and the Office of the Public Counsel, is approved. (See Attachment 1).

2. That United Cities Gas Company, a division of Atmos Energy Corporation, shall file tariff sheets in compliance with the terms of the Unanimous Stipulation and Agreement no later than June 24, 2002.

⁵ *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

3. That this order shall become effective on June 14, 2002.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive, flowing style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(SEAL)

Simmons, Ch., Murray, Lumpe,
Gaw, and Forbis, CC., concur.

Dippell, Senior Regulatory Law Judge

FILED³
MAY 09 2002

Case No. GT-2002-06 Missouri Public Service Commission

Missouri Public
Service Commission

COME NOW the Staff ("Staff") of the Missouri Public Service Commission

Background

1. On January 25, 2002, United Cities submitted proposed revised tariff sheets.

2. The Commission issued notice of the tariff and directed its Staff to file a

sheets and setting a prehearing conference. In a separate order, the Commission established a separate case to examine the issues described by Staff.¹

3. The prehearing conference was held on April 3, 2002, to allow the Parties to discuss a possible resolution of the case, or otherwise to recommend a procedural schedule. Following the prehearing conference, the Parties were able to resolve all issues in this proceeding and have reached the following stipulations and agreements:

Stipulations and Agreements

4. The Parties agree that United Cities shall have the opportunity to make up to four (4) Purchased Gas Adjustment ("PGA") filings each year; i.e., a required Winter PGA and three (3) Optional PGA filings. The Winter PGA shall be filed between October 15 and November 4 of each calendar year. The Optional PGA filings shall be filed when the Company determines that elements have changed significantly from the currently effective factor. The Optional PGA filings shall not become effective in two consecutive months unless specifically so ordered by the Commission. Schedule A, attached, contains illustrative tariff sheets that will be filed with the Commission by the Company to implement the terms of this agreement upon approval of the Unanimous Stipulation And Agreement.

5. All other issues in this proceeding, including proposals made by the Company to: (1) eliminate price caps from the estimation formula of PGA rates; (2) include hedging costs in the PGA calculation; and (3) eliminate the Deferred Carrying Cost Balance (DCCB) and its associated threshold levels relating to the computation of interest, shall be considered in Case No. GO-2002-452, *In the Matter of the Review of the Purchased Gas Adjustment Clauses in the*

¹ Case No. GO-2002-452, *In the Matter of the Review of the Purchased Gas Adjustment Clauses in the Tariffs of Local Distribution Companies* was established by the Commission on March 26, 2002. All local distribution companies, including United Cities, were made parties to the proceeding.

Tariffs of Local Distribution Companies. This Agreement, however, is not intended by the Parties to limit the consideration of other issues in Case No. GO-2002-452.

General

6. This Unanimous Stipulation And Agreement (hereinafter, "Agreement") has resulted from discussions and negotiations among the Parties, and the terms of this Agreement are interdependent. In the event the Commission does not adopt this Agreement in total, the Agreement shall be void and no party shall be bound by any of the agreements or provisions. The stipulations contained herein are specific to the resolution of these proceedings, and all stipulations are made without prejudice to the rights of the Parties to take other positions in other proceedings.

7. This Agreement is being entered into solely for the purpose of disposing of all issues in this case. None of the parties to this Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any accounting principle, ratemaking principle or cost of service determination underlying, or supposed to underlie any of the issues provided for herein.

8. The Parties further understand and agree that the provisions of this Agreement relate only to the specific matters referred to in the Agreement, and no party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Agreement. All Parties further reserve the right to withdraw their support for the settlement in the event that the Commission modifies the Agreement in a manner which is adverse to the party withdrawing its support and further, the Parties reserve the right to contest any such Commission order modifying the settlement in a manner which is adverse to the party contesting such Commission order.

9. In the event the Commission accepts the specific terms of this Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2) RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument or written briefs pursuant to Section 536.080.1, RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 2000; their respective rights to seek rehearing pursuant to Section 386.500, RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510, RSMo 2000.

10. The Staff shall within fourteen (14) days of the filing of this Agreement, file with the Commission suggestions or a memorandum in support of this Agreement and the other parties shall have the right to file responsive suggestions within ten (10) days of receipt of Staffs memorandum.

11. The Staff shall also have the right to provide, at any agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to Missouri statutes or any Protective Order issued in this case.

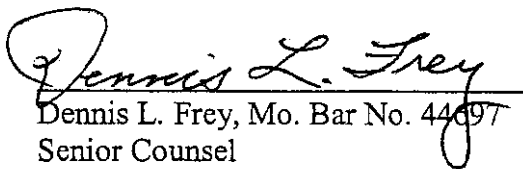
12. To assist the Commission in its review of this Agreement, the Parties also request that the Commission advise them of any additional information that the Commission may desire

from the Parties relating to the matters addressed in this Agreement, including any procedures for furnishing such information to the Commission.

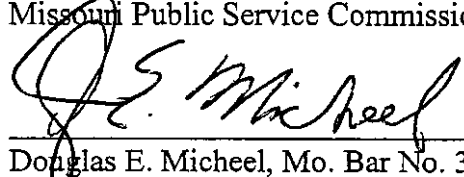
WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order: a) approving all of the specific terms and conditions of this Unanimous Stipulation And Agreement; b) approving the filing by the Company of tariff sheets conforming with the illustrative tariffs shown in Attachment A; c) granting such further relief as the Commission should find reasonable and just; and d) closing this case.

Respectfully submitted,

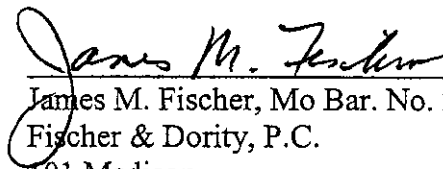
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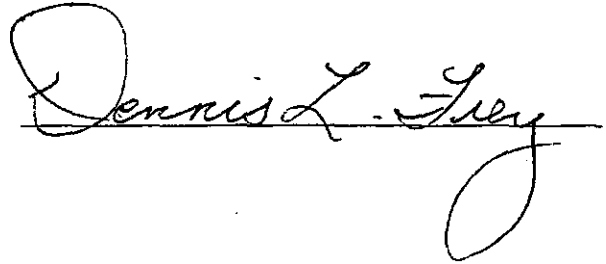
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Corporation

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 May 2002.

A handwritten signature in cursive script, reading "Dennis L. Gray", is written over a horizontal line. The signature is fluid and stylized, with a large initial 'D' and a long, sweeping tail on the 'y'.

{Revised}

{Revised}

United Cities Gas Company

Name of Issuing Corporation

- FOR - All Districts =
Community, Town or City

PURCHASED GAS ADJUSTMENT CLAUSE

1. PGA FILING REQUIREMENTS AND APPLICABILITY

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The Purchased Gas Adjustment (PGA) Clause applies to all sales and transportation services provided under all natural gas rate schedules and contracts. For purposes of this clause the term "cost of gas" shall include the cost paid to suppliers for the purchase, transportation and storage of gas. The Company shall compute separate PGA Clause Rates for the Consolidated and Neelyville districts. The Consolidated district is comprised of the historical districts of Bowling Green, Palmyra and Hannibal/Canton.

For the purpose of applying this clause, sales service shall be classified as firm or interruptible. Firm service shall consist of service provided under the residential rate schedules and general gas service rate schedules. Interruptible sales service shall be considered all sales service not classified as firm. No demand costs shall be applied to interruptible sales service.

As an alternative to proration, the Company may bill its customers the newly effective rates only when all service being billed is service taken after the effective date of the new rates. As long as any of the service period being billed a customer contains service taken prior to the period before the new rates are effective, the Company can charge only the old rates.

All PGA factors are subject to review and approval by the Commission. All PGA factors are interim and subject to adjustment as part of the Annual Cost Adjustment (ACA) review. Any PGA filing shall not be approved unless it has first been on file with the Commission for a period ten (10) business days. The PGA factors approved by the Commission shall remain in effect until the next PGA becomes effective hereunder, or until otherwise changed by law or order of the Commission. Each PGA factor filed hereunder shall cancel and supersede the previously effective PGA factors and shall reflect the current purchase gas cost to be effective thenceforth.

All necessary supporting documentation must be provided with the PGA filings, including worksheets showing the calculation of the estimate of the Company's gas costs, volumes purchased for resale, the projected monthly demand levels, supply options, transportation options, storage options, and other miscellaneous charges and revenues that affect the PGA rate calculation.

*Indicates new rate or text

+Indicates change

DATE OF ISSUE

DATE EFFECTIVE

ISSUED BY

month day year
Thomas R. Blose, Jr., President
name of officer title

month day year

Franklin, TN
address

FORM NO. 13 P.S.C. MO.No. 3 4th ~~{Original}~~ SHEET No. 50
 {Revised}
 Cancelling P.S.C. MO. 3 3rd ~~{Original}~~ SHEET No. 50
 {Revised}
United Cities Gas Company FOR- All Districts -
 Name of Issuing Corporation Community, Town or City

PURCHASED GAS ADJUSTMENT CLAUSE (Continued)

United Cities shall file a "Total PGA" factor which shall consist of three parts:

- a) The Purchase Gas Adjustment "RPGA" factor as defined in Section II;
- b) The Actual Cost Adjustment "ACA" which results from the corrections made through the Deferred Purchased Gas Cost-Actual Cost Adjustment Accounts, described later in Section III of this clause, and;
- c) The "Refund" factor which is described later in Section IV of this clause.

At least ten (10) business days before applying the filed rates, United Cities shall file with the Commission an Adjustment Statement and related information showing:

- a) The computation of the revised purchased gas costs factors as described herein; and,
- b) A revised Sheet No. 58 setting forth the net amount per Ccf, expressed to the nearest \$0.0001, to be used in computing the PGA applicable to the customer's bills, and the effective date of such adjustments.
- c) United Cities shall also file with the Commission copies of any FERC orders or other pertinent information applicable to the wholesale rate charged the Company by its natural gas supplier.

A. PGA Filings:

United Cities shall have the opportunity to make up to four (4) PGA Filings each year; a required Winter PGA and three (3) Optional PGA's. The Winter PGA shall be filed between October 15 and November 4 of each calendar year. The Optional PGA's shall be filed when the Company determines that elements have changed significantly from the currently effective factor. The Optional PGA's shall not become effective in two consecutive months unless specifically ordered by the Commission.

The Winter PGA that shall contain rates reflecting: (1) all of United Cities ACA adjustments and Refund factor adjustments relating to or arising during the immediately preceding 12 month ACA period; (2) United Cities then current estimate of gas cost revenue requirements for the period between the effective date of filing and the next Winter PGA Filing; and (3) any Deferred Carrying Cost Balance ("DCCB") adjustments.

*Indicates new rate or text
 +Indicates change

DATE OF ISSUE

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	month	day	year		month	day	year
ISSUED BY	<u>Thomas R. Blose, Jr., President</u>				<u>Franklin, TN</u>		
	name of officer				address		
	title						

Attachment 1
Page 9 of 13 pages

PURCHASED GAS ADJUSTMENT CLAUSE (Continued)

II. REGULAR PURCHASED GAS ADJUSTMENTS

Charges for gas service contained in United Cities then effective retail rate schedules on file with the Missouri Public Service Commission shall be adjusted by a Regular Purchased Gas Adjustment (RPGA). The Company shall maintain RPGA factors for its Consolidated and Neelyville districts as determined in the following manner:

1. Computation of RPGA Factors:

United Cities RPGA factors shall be calculated based on the best estimate of United Cities gas costs and volumes purchased for resale, as calculated by United Cities and approved by the Commission. Calculation of the best estimate of United Cities projected monthly demand levels, supply options, transportation options, storage options, and other miscellaneous charges and revenues that affect the RPGA rate calculation. The costs to be included in the RPGA rate calculation shall be limited to the projected costs necessary to deliver the volumes purchased for resale to United Cities city gate. The actual gas costs shall include the commodity cost of storage withdrawals and exclude the commodity cost of storage injections.

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+Indicates change

PURCHASED GAS ADJUSTMENT CLAUSE (Continued)

The gas cost revenue requirement component of the RPGA factor, relating to fixed pipeline transportation and storage charges, fixed gas supply charges, and other fixed FERC authorized charges, will be determined in a manner similar to the way they have historically been determined in United Cities PGA Clause.

For the gas commodity component of the RPGA factor, including variable transportation costs, gas supply commodity costs, and other FERC authorized commodity charges, United Cities will utilize any technique or method it deems reasonable for purposes of estimating the gas cost revenue requirement to be reflective for this component in each RPGA filing, provided that:

- (a) for any PGA Filing, such estimate shall not exceed a per Ccf cost equal to the higher of: +
 - (1) United Cities actual commodity gas cost per Ccf for currently purchased gas supplies in the month in which the PGA filing is made; or
 - (2) the average of (i) the single highest average commodity gas cost per Ccf and (ii) the overall weighted average commodity gas cost per Ccf actually incurred by United Cities for the currently purchased gas supplies in the applicable winter or summer period during the then three most recent ACA periods.
- (b) United Cities must justify the gas costs included in its filings. +

III. DEFERRED PURCHASED GAS COST-ACTUAL COST ADJUSTMENT ACCOUNTS :

United Cities shall establish and maintain a Deferred Purchase Gas Cost - Actual Adjustment (ACA) Account which shall be credited with any over-recovery resulting from the operation of United Cities PGA procedure or debited for any under-recovery resulting from the same. The Company shall maintain ACA accounts for its Consolidated and Neelyville districts.

*Indicates new rate or text
+Indicates change

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	Thomas R. Blose, Jr., President	Franklin, TN
	name of officer	title
		address

United Cities Gas Company

Name of Issuing Corporation'

FOR- All Districts =

Community, Town or City

PURCHASED GAS ADJUSTMENT) CLAUSE (Continued)

Such over-or under-recovery shall be determined by a monthly comparison of the actual (as billed) cost of gas as shown on the books and records of United Cities, and the cost recovery for the same month calculated by multiplying the volumes sold during said month by the sum of the currently effective cost components (the regular PGA factor and the prior period "Actual Cost Adjustment" ACA factor as herein defined).

For each twelve month billing period ended with the May revenue month, the difference of the comparisons described above, including any balance or credit for the previous year, shall be accumulated to produce a cumulative balance of over-recovered or under-recovered costs. ACA factors shall be computed by dividing the cumulative balance of the over-recoveries or under-recoveries by the estimated volumes of total sales during the subsequent twelve-month period. This adjustment shall be rounded to the nearest \$0.0001 per Ccf and applied to billings, beginning with the November revenue month. These ACA factors shall remain in effect until superseded by subsequent ACA factors calculated according to this provision. United Cities shall file any revised ACA factors in the same manner as all other adjustments performed in the PGA clause.

Carrying costs shall be determined in the following manner:

No carrying costs shall be applied in connection with any PGA-related item until such time as the net "Deferred Carrying Cost Balance" exceeds an amount equal to ten percent (10%) of United Cities average annual level of gas costs for the then most three recent ACA periods.

The DCCB shall include the cumulative under or over recoveries of gas costs at the end of each month for each annual ACA period. The under or over recoveries of gas costs at the end of each month to include in the DCCB will be defined and computed as the product of (a) the difference between United Cities actual annualized unit cost of gas (blended with storage and the estimated annualized unit cost of gas factor included in United Cities then most recent PGA filing) times (b) the total volumes of gas sold during such month.

In the event the DCCB exceeds ten percent of the LDC's Annual Gas Cost Level, a carrying cost equal to simple interest at the prime rate minus one percentage point shall be applied to such portion of the balance amounts as exceeds five percent for the period such excess balance amounts exist. The prime lending rate, (prime), is that rate reported in *The Wall Street Journal* on the first business day of the following month.

*Indicates new rate or test

+Indicates change

DATE OF ISSUE

month day year

<u>Thomas R. Blöse, Jr., President</u>	
name of officer	title

DATE EFFECTIVE

month day year

Franklin, TN
address

PURCHASED GAS ADJUSTMENT CLAUSE (Continued)

IV. REFUNDS

A separate refund factor shall be computed for each of United Cities' districts and for each PGA rate classification. Any portion of refunds which United Cities receives from its wholesale supplier(s), together with any interest included in such refund amounts, will be refunded to United Cities customers. Such refunds will be accumulated and filed with the Annual PGA Filing. To extent that refund accumulations by system exceed \$100,000 between November 1 and April 1, the refunds will be filed in an Optional PGA filing. The updated refund factor will be based on projected volumes for the period from the implementation date to November 1. +

The refund factors shall be calculated in accordance with the following:

A. Firm Customers:

The portion of the refund allocated to the Firm customers and received from the applicable wholesale supplier, including interest paid by the supplier, shall be divided by the estimated number of Ccfs to be sold in the succeeding twelve (12) months to United Cities regular firm sales customers. The resulting per Ccf factor, rounded to the nearest \$.00001 per Ccf, shall be applied as a credit to each firm sales customer's bill over the succeeding twelve (12) months by multiplying such unit refund credit by the total Ccfs billed to each customer in each billing period.

The length of the refund period shall generally be twelve (12) months, with any over/under payment rolling into the next Annual PGA Filing. United Cities shall add interest to the balance of refunds received from its suppliers remaining to be distributed to its firm customers. The interest shall be at a rate of 1% below the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin; or in the Federal Reserve's "Selected Interest Rates" for the previous 3 months preceding the 1st of the calendar quarter for which the new rate is to apply. For each twelve (12) month refund distribution period, an estimate of the interest to be so added by United Cities shall be included in determining the per Ccf refund rate to be applied to bills pursuant to the above paragraphs.

*Indicates new rate or text

+Indicates change

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