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## Missouri Public Service Commission

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February 15, 2002

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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

**FILED<sup>3</sup>**  
FEB 15 2002

**RE: Case No. GR-2000-573**

Missouri Public  
Service Commission

Dear Mr. Roberts:

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

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,

Dennis L. Frey  
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DLF:ccl  
Enclosure  
cc: Counsel of Record

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

FILED<sup>3</sup>

FEB 15 2002

Missouri Public  
Service Commission

In the Matter of Atmos Energy )  
Corporation's Purchased Gas Adjustment )  
Factors to be Reviewed in its 1999-2000 )  
Actual Cost Adjustment. )

Case No. GR-2000-573

**REVISED STAFF RECOMMENDATION**

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

1. On June 1, 2000, Atmos Energy Corporation ("Atmos"), pursuant to a Commission-approved Unanimous Stipulation And Agreement in Case No. GM-2000-312, became the owner and operator of the Missouri properties of Associated Natural Gas Company ("ANG"), a division of Arkansas Western Gas Company.

2. On November 2, 2001, the parties filed the First Amended Settlement Agreement And Release ("Agreement") in this case. The Agreement, which was approved by a Commission order dated November 27, 2001, resolves the ACA audit for the 1999-2000 time period only as to ANG. As it pertains to the instant case, the Agreement separates the time period relating to ANG's natural gas purchasing practices and operations in Missouri (*i.e.* September 1, 1999 through May 31, 2000) from the time period relating to the gas purchasing practices and operations of Atmos (*i.e.*, June 1, 2000 through August 31, 2000). Further, the Agreement recommends that the Commission establish "a new and separate case into which it transfers all issues arising out of Atmos' natural gas purchasing practices and operations in Missouri during

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the June 1, 2000 through August 31, 2000 time period, and bars the Parties from raising any claims against Atmos in that new and separate case based on the acts, omissions, or decisions of ANG.”

3. On November 1, 2001, the Staff filed its Recommendation regarding Atmos’ obligation under the Agreement. Atmos, in its December 6, 2001 Response, contested some of the recommendations raised by the Staff.

4. At a prehearing conference, held on January 23, 2002, Atmos and the Staff represented that recent discussions between the two parties had produced the basis for a mutually agreeable resolution of the issues raised by Atmos in its aforementioned December 6, 2001 Response. On January 24, 2002, the Commission issued an order directing that the Staff file by February 15, 2002, a second revised recommendation and further stating: “If Staff does not indicate the positions of the other parties, then the parties shall have seven days from the filing of the recommendation to file responses.”

5. Attached hereto as Appendix A is a Memorandum setting forth the Staff’s revised recommendations. The Memorandum has been shared with Atmos, ANG and the Office of the Public Counsel, and all three parties have stated that they have no objections to it.

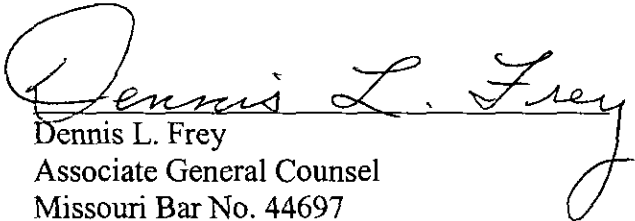
6. The parties intend to meet early next week to discuss whether this case may be closed, as well as whether there is a need to open a separate case pertaining solely to Atmos, as was contemplated by the aforementioned November 1, 2001 Agreement. The parties further intend to timely inform the Commission as to the results of those discussions.

WHEREFORE, the Staff respectfully requests that the Commission disregard the recommended table of adjustments in Staff’s November 1, 2001 recommendation in this case,

and instead issue an order approving the (over)/under recovered ACA, Transition Cost and Refund balances set forth in the attached Memorandum.

Respectfully submitted,

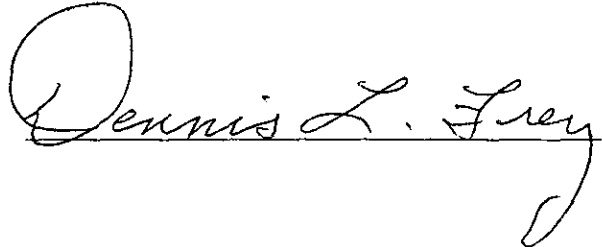
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### **Certificate of Service**

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 15th day of February 2002.

  
Dennis L. Frey

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GR-2000-573, Atmos Energy Corporation

FROM: Dave Sommerer, Manager- Procurement Analysis Department *DS*  
Lesa A. Jenkins, P.E., Regulatory Engineer, Procurement Analysis Department *Laj*

*Dave Sommerer* / Feb. 15, 2002  
Project Coordinator/Date

*John P. Howell* 2-15-02  
General Counsel's Office/Date

*D. L. Jenkins*  
2-15-02

SUBJECT: Staff's Revised Recommendation in Atmos Energy Corporation's 1999-2000  
Actual Cost Adjustment Filing

DATE: February 15, 2002

Following its original review of Atmos Energy Corporation's (Atmos or Company) 1999-2000 Actual Cost Adjustment (ACA) filing, the Procurement Analysis Department (Staff) filed its recommendation in this case on November 1, 2001. On December 6, 2001, Atmos filed its response, contesting a number of the Staff's recommendations. On January 24, 2002, following a January 23<sup>rd</sup> prehearing conference, the Commission ordered that, "...Staff shall file its second revised recommendation or a settlement of the parties not later than February 15, 2002. If Staff does not indicate the positions of the parties, then the parties shall have seven days from the filing of the recommendation to file responses." The Staff has now completed a subsequent review of its original recommendation in light of both the aforementioned Atmos response and additional documentation furnished by the Company. The purpose of this filing is to present Staff's revised recommendation.

### **ANG/SEECO CONTRACT ADJUSTMENT**

The Commission, in Case No. GM-2000-312, approved the sale of Associated Natural Gas Company's (ANG) assets to Atmos. Atmos became the owner and operator of the SEMO District on June 1, 2000. Prior to June 1, 2000 (the first nine months of the 1999/2000 ACA period), ANG owned and operated the SEMO District. Staff's original recommendation, filed on November 1, 2001, proposed a disallowance for the final three months in the ACA period, the period after Atmos acquired the ANG SEMO system and for which, under the terms of a settlement agreement approved by the Commission on November 27, 2001, Atmos is responsible.

Upon further review of documentation provided by Atmos in its December 6, 2001 response to Staff's recommendation as well as additional documentation provided subsequent to its response, the Staff no longer supports this disallowance. During the course of reviewing the additional documentation, however, the Staff noted that the Company had inappropriately included in its ACA balance certain expenses for Liquefied Natural Gas (LNG) services. The Company has

agreed to remove these costs. The adjustments reduce gas costs for the firm sales ACA by \$83,778 and the interruptible sales ACA by \$31,592, for a total reduction of \$115,370.

### **NGPL CASH-OUT CREDITS**

The Staff, during its audit of Atmos' 1999/2000 ACA filing, discovered that Atmos did not include \$54,600 of NGPL cash-out credits (related to the months of July and August of 2000) in its ACA filing. The Company in its December 6, 2001 response agreed with the adjustment in total but proposed a different allocation among customer classes. The Staff has reviewed this allocation and agrees with the Company's proposed allocation provided in the Company's work papers. These adjustments reduce SEMO gas costs for the firm sales ACA by \$47,682 and \$6,918 for the interruptible sales ACA for a total of \$54,600. As a result, a total of \$6612 of the overall cost credit was shifted from interruptible sales to firm sales. The revised adjustment figures for firm sales and interruptible sales, then, are \$47,682 and \$6,918 respectively.

### **DCCB ADJUSTMENT**

The Staff, during its audit of Atmos' 1999/2000 ACA filing, discovered that Atmos had incorrectly calculated the interest component of its Deferred Carrying Cost Balance (DCCB). Upon further review of the Company's response, Staff proposes (1) a \$12,848 adjustment to the SEMO District's Interruptible Customer ACA balance, (2) a \$1,289 adjustment to the Kirksville District's Interruptible Customer ACA balance and (3) a \$1,543 adjustment to the Butler District's Interruptible Customer ACA balance. This change is made based upon a review of the Company's response that indicated the direction of the Staff adjustment was in error. In addition, the adjustment incorporates a recalculation of the DCCB adjustment to more closely reflect the ACA balances recorded.

### **RELIABILITY ANALYSIS**

Staff's original recommendation raised concerns about the substantial differences in the peak day estimates provided by ANG in the 1998/1999 ACA review and the estimates provided by Atmos for 2000/2001. Staff recommended and Atmos agreed to provide by February 28, 2002, the information specified in the original Staff recommendation related to reliability analysis for the five Missouri service areas of Butler/Panhandle Eastern Pipe Line (PEPL), Kirksville/ANR, Jackson/Natural Gas Pipeline (NGPL), Piedmont/ Mississippi River Transmission (MRT), and Southeast Missouri Integrated system. On December 31, 2001, the Commission ordered that Atmos report this information to Staff by February 28, 2002.

### RECOMMENDATION

The Staff recommends that the Commission disregard the recommended table of adjustments in its November 1, 2001 recommendation in this case, and instead approve the (over)/under recovered ACA, Transition Cost and Refund balances in the third column of the following table.

	Balance per Atmos Filing	Staff Adjustments	Ending ACA Balances
SEMO District:			
Firm ACA	\$ 1,576,496	\$ (131,460)	\$ 1,445,036
Interruptible ACA	\$ 296,191	\$ (25,663)	\$ 270,528
Firm Refund	\$ 7,795	\$ 0	\$ 7,795
Interruptible Refund	\$ 1,345	\$ 0	\$ 1,345
Transportation Transition Cost	\$ 54,672	\$ 0	\$ 54,672
Kirksville District:			
Firm ACA	\$ 210,018	\$ 0	\$ 210,018
Interruptible ACA	\$ 68,498	\$ 1,289	\$ 69,787
Firm Refund	\$ 16,066	\$ 0	\$ 16,066
Interruptible Refund	\$ 5,455	\$ 0	\$ 5,455
Transportation Transition Cost	\$ 3,709	\$ 0	\$ 3,709
Butler District:			
Firm ACA	\$ 60,644	\$ 0	\$ 60,644
Interruptible ACA	\$ 722	\$ 1,543	\$ 2,265
Firm Refund	\$ (456)	\$ 0	\$ (456)
Interruptible Refund	\$ 5,086	\$ 0	\$ 5,086

**Service List for  
Case No. GR-2000-573  
Revised: February 15, 2002 (ccl)**

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