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June 30, 2000

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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-2000-285

FILED²
JUN 30 2000
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 **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,


David J. Stueven
Assistant General Counsel
(573) 751-6726
(573) 751-9285 (Fax)

DS/dkf
Enclosure
cc: Counsel of Record

NP

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²

JUN 30 2000

Missouri Public
Service Commission

In the Matter of Fidelity Natural Gas)
Company, Inc.'s Purchased Gas)
Adjustment Factors to be Reviewed in its)
1998-1999 Actual Cost Adjustment.)

Case No. GR-2000-285

STAFF RECOMMENDATION

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


1. On October 14, 2000, Fidelity Natural Gas Company, Inc. ("Fidelity") filed its 1998 - 1999 Actual Cost Adjustment ("ACA") with the Commission. Pursuant to Section 393.140.7, RSMo (1994), the Staff conducted an audit of and has reviewed Fidelity's ACA filing.

2. In the attached Memorandum, which is labeled Appendix A, the Staff recommends that the Commission issue an Order requiring Fidelity to 1) adjust the ACA balance in its next ACA filing by \$7,504 to change the balance from a \$3,017 under-recovery to a \$4,487 over-recovery, and 2) respond to Staff's recommendation within thirty (30) days.

WHEREFORE, Staff respectfully requests that the Commission issue its Order in accordance with the Staff's Memorandum attached hereto.

Respectfully submitted,

DANA K. JOYCE
General Counsel

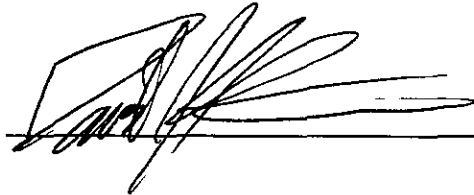


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Certificate of Service

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 30th day of June 2000.



MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GR-2000-285, Fidelity Natural Gas Company, Inc.

FROM: *OL* *Laf* *28*
Phil Lock, Lesa Jenkins and Dave Sommerer - Procurement Analysis Department

Dave Sommerer 6-30-00 *Thomas R. Schwanz Jr. 6/30/00*
Project Coordinator/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation in Fidelity Natural Gas Company's 1998-99 Actual Cost Adjustment Filing

DATE: June 30, 2000

The Procurement Analysis Department (Staff) has reviewed Fidelity Natural Gas Company's (Fidelity or Company) 1998-99 Actual Cost Adjustment (ACA) filing. This filing was made on October 14, 1999, and was docketed as Case No. GR-2000-285. The audit consisted of an analysis of the billed revenues and actual gas costs, for the period of September 1998 to August 1999, included in the Company's computation of the ACA rate. The ACA balance in the Company's 1998-99 ACA filing is \$3,017 under-recovery balance.

COMPLIANCE ADJUSTMENTS

Customer Billing Correction

A correction was made by Fidelity to reflect an over billing to one of its commercial customers. Fidelity treated the total credit of \$11,839 as a PGA credit in this ACA filing. Upon review, the credit included both PGA (gas) costs and non-PGA gas costs. While the total credit to the customer was appropriate, the credit applied to the 1998-99 ACA filing was not. A PGA credit of \$5,860 should be reflected in the 1998-99 ACA filing. The credit should be reduced by \$5,994, the difference between \$11,839 and \$5,860. PGA revenues should therefore increase by \$5,994 to reflect the proper credit in this filing.

Fuel Factor Correction

Fidelity's gas supplier billed an incorrect fuel factor during the month of January 1999. The proper fuel factor is \$0.063, not the billed factor of \$0.1055. As a result, the fuel cost should be \$2,239 ($\$0.063 \times 35,536$) compared to the billed amount of \$3,749 ($\$0.1055 \times 35,536$), a difference of \$1,510. The cost of gas should therefore be reduced by \$1,510 to reflect the proper fuel factor for the month of January 1999.

RELIABILITY STUDY

Staff conducted a reliability study on the Fidelity Natural Gas distribution system including a review of the estimated peak day and capacity levels, reserve margin, and estimated annual demand. In conclusion, the Staff and Company estimates for annual demand under normal weather conditions are only slightly different. The Staff and Company peak day estimates, however, do not agree. Fidelity's estimate has not been updated since 1996. Due, in part, to employee turnover at Fidelity, little information could be obtained to explain the difference between Company and Staff estimates of peak day.

As a result of the reliability study, Staff recommends that the Company submit the following analysis in all future ACA periods:

- An updated peak day study of the Company's peak day demand and pipeline capacity to assure adequacy of the Company's supply and transportation portfolio for a peak day. In addition, the study should review monthly and seasonal demand requirements. Staff recommends that the Union, Missouri weather station, which encountered 74 Heating Degree Days (HDD) on 12/22/89, be selected for peak day. If another HDD is selected as the peak, justification should be submitted. All assumptions should be clearly stated and a disk copy of the model with all formulas should be provided for review.
- The model should be updated to reflect current customer numbers and should include an estimate of growth by customer class for three to five years, with an explanation given for the growth percentages. These numbers should be used in the peak day study and for estimating annual demand.
- A reserve margin calculation for the 1999/2000 ACA period and three to five years thereafter.
- A comparison of the actual usage and HDD for two or more recent peak days to the estimated volume. This should be used by the Company to determine if the estimated demand is reasonable for the customer count and weather conditions encountered.
- An estimate of the average annual usage per residential and commercial customer for a normal weather pattern.

MISSOURI PIPELINE COMPANY

On the Missouri Pipeline Company system (MPC), Staff believes that the Company should establish its Maximum Daily Quantity (MDQ) with the pipeline based on an actual peak

day delivery. **

_____. **
MPC is an intrastate pipeline system that connects the Panhandle Eastern Pipeline (PEPL) system to Fidelity's city gate at Sullivan.

SUMMARY

The Staff has addressed the following concerns regarding Case No. GR-2000-285 for Fidelity Natural Gas Company and proposes the following:

- That Fidelity increase revenues by \$5,994 to reflect the proper PGA credit applied to one of its Commercial customers.
- That Fidelity reduces gas costs by \$1,510 to reflect the proper fuel factor charged by its gas supplier during the month of January 1999.
- Staff conducted a reliability study that includes a review of peak day and capacity levels, reserve margin, and estimated annual demand. Staff's recommendations are included in the "Reliability Study" section of this ACA recommendation.
- That Fidelity establishes its MDQ with Missouri Pipeline based on a peak **day** flow,

** _____ **

RECOMMENDATIONS

The Staff recommends that the Commission issue an order requiring Fidelity Natural Gas Company to:

1. Adjust the ACA balance in its next ACA filing by \$7,504 (\$5,994 + \$1,510) from \$3,017 under-recovery balance to \$4,487 over-recovery balance;
2. Respond to recommendations included herein within 30 days.

NP

Service List for
Case No. GR-2000-285
June 30, 2000

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