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Missouri Public
Service Commission

M E M O R A N D U M

TO: Missouri Public Service Commission Official Case File
Case No. GR-2000-392, File No. 200000672, United Cities Gas Company

FROM: Kim J. Elvington, Gas Department - Tariffs/Rate Design *km*
Wm Hender 2-16-00 *John Samuel 2-17-00* *BH 2-17-00*
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation for United Cities Gas Company's Palmyra District
Request for Variance and PGA Filing Effective March 1, 2000.

DATE: February 14, 2000

On January 28, 2000, United Cities Gas Company (United or Company) of Franklin, Tennessee, filed a REQUEST FOR VARIANCE FROM TARIFF PROVISIONS (Variance) and a tariff sheet proposed to become effective March 1, 2000, for its Palmyra District. The tariff sheet reflects a change in the Company's Purchased Gas Adjustment (PGA) factors as a result of an increase in the spot market cost of natural gas and adjustment to Palmyra's Actual Cost Adjustment (ACA) factor. The Variance was requested to modify the ACA factor which became effective on January 1, 2000.

The ACA account tracks both over-collections and under-collections of gas costs, usually for a 12-month period. The over- or under-collected balances are subsequently returned or collected over the following 12 months. In its Variance, the Company requested permission to collect the under-collected balance over a 24-month period as opposed to the normal one-year period. If approved, this Variance will lessen the impact of the substantial under-collection for Palmyra consumers.

The net effect of these changes will decrease the Palmyra PGA factor from \$0.4171 per Ccf to \$0.3861 per Ccf.

Case No. GR-2000-392, under which this change was filed, was established to address United's PGA factors in its 1999-2000 ACA filing. Case No. GR-99-280 was established to address the PGA factors filed in its 1998-1999 ACA period. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-99-280 and GR-2000-392.

The Commission's Gas Department - Tariffs/Rate Design Staff (Staff) has reviewed the Variance request and the PGA filing, and has determined that the changes made were reasonable and consistent with United's PGA Clause. Staff recommends the Commission grant the Variance as requested by the Company on January 28, 2000, and approve the following tariff sheet to become effective March 1, 2000, interim subject to refund:

P.S.C. MO. No. 3

54th Revised Sheet No. 48.1 Cancelling 53rd Revised Sheet No. 48.1

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