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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 6th
day of June, 1997.

In the Matter of the Application of)	
United Cities Gas Company for)	
Authority to Sell Approximately 40)	
Feet of Three Inch Gas Main, a)	<u>CASE NO. GM-97-307</u>
Regulator, a Meter and Other)	
Associated Equipment Located at the)	
American Cyanamid Plant Near Palymra,)	
Missouri, to American Cyanamid.)	

ORDER APPROVING SALE OF ASSETS

United Cities Gas Company (United Cities or Company) filed an application on February 6, 1997, pursuant to Section 393.190, RSMo 1994,¹ for approval to sell approximately 40 feet of three-inch diameter gas main, a regulator, a meter, and other associated equipment to American Cyanamid Company (American Cyanamid). The purpose of the sale is to allow American Cyanamid to interconnect directly with the interstate pipeline owned by Panhandle Eastern Pipeline Company (Panhandle). United Cities requested expedited consideration of the transaction so that an order can be issued before July 1, 1997, when the agreement to sell the facilities becomes void.

United Cities is a public utility as defined in Section 386.020(42), RSMo Supp. 1996, and provides gas utility services in portions of northeastern and southeastern Missouri. United Cities is a corporation organized and existing under the laws of Illinois and Virginia, and is

¹All statutory references are to the Revised Statutes of Missouri, 1994, unless otherwise noted.

authorized to do business in Missouri as a foreign corporation. United Cities' principal place of business is located at 5300 Maryland Way, Brentwood, Tennessee 37027. American Cyanamid, a customer of United Cities, owns a facility near Palmyra, Missouri. American Cyanamid is a Maine corporation and its operations are not subject to the jurisdiction of the Commission.

United Cities seeks to sell existing gas distribution facilities to American Cyanamid which are located on or near the premises of American Cyanamid, as well as between the facilities of American Cyanamid and Panhandle. In its application, United Cities states it does not endorse the concept of bypassing local gas distribution company facilities, although it has determined that in this particular instance the sale of its facilities is appropriate. Attached to the application as Appendix 1 is the Agreement for Sale of Gas Distribution Properties executed by United Cities and American Cyanamid on January 1, 1997. The agreement lists each item to be transferred at closing for the total purchase price of \$80,000.

United Cities asserts that the proposed sale will not be detrimental to the public interest because other customers will not be harmed by the sale. United Cities states that the reliability or character of service received by other customers will not be affected, and that future rate decisions caused by the sale would affect other customers regardless of whether American Cyanamid purchases the line or constructs its own line to bypass United Cities. Based on past usage patterns, United Cities estimates its annual revenues will be reduced by approximately \$300,000 excluding take or pay recovery as a result of the transaction. United Cities does not project any loss of local tax revenues from the sale.

The Staff of the Missouri Public Service Commission (Staff) filed a memorandum on May 27 recommending approval of the proposed sale. Having inspected the facilities, Staff reports that the facilities are generally exposed above ground within a fenced enclosure owned by Panhandle and that the description of the facilities contained in the application is accurate. Staff reports that the United Cities facilities have an original book value of \$42,187 and, as of December 31, 1996, an undepreciated net value of \$29,022. Staff reports that the revenues from the facilities are approximately \$300,000 per year at the full tariffed rate, as compared to Palmyra revenues of \$514,387 and total Missouri revenues of \$7,088,209 per year. Staff's estimate of revenues is based on total revenues less the cost of gas which appears to be the same method of estimating revenues used by United Cities. As a result of the transaction, Staff estimates direct expenses would be eliminated for United Cities in the amount of \$1,638 for depreciation, \$2,147 for property taxes, and \$1,500 for labor costs.

Staff notes that pursuant to the Stipulation and Agreement approved by the Commission on March 19, 1997, in Case No. GM-97-70, United Cities was granted authority by this Commission to merge with Atmos Energy Corporation (Atmos) and that Atmos, the surviving corporation, will not file a rate case prior to January 1, 1999. Since there may be a detrimental effect on Missouri rate payers at the time of the next rate case, Staff recommends that the Commission reserve the right to consider the ratemaking treatment to be afforded the costs associated with this sale until a future time. Staff further recommends that United Cities file a copy of all journal entries made in connection with this sale in the official case papers in this docket no later than 90 days after completion of the sale.

Upon review of the application and the Staff's recommendation, the Commission finds that the proposed transaction is not detrimental to the public interest. The Commission finds that the proposed transaction will not be detrimental to the reliability or character of service received by other customers of United Cities. The Commission further finds that any future rate decisions caused by the sale would affect other customers regardless of whether American Cyanamid purchases the line or constructs its own line to bypass United Cities. The Commission finds that the transaction should be approved and that the conditions recommended by Staff regarding the reservation of ratemaking treatment and the submission of journal entries are reasonable and appropriate, and should be adopted.

IT IS THEREFORE ORDERED:

1. That the sale of certain gas utility properties of United Cities Gas Company to American Cyanamid Company in accordance with the Agreement for Sale of Gas Utility Properties, attached to United Cities Gas Company's application as Appendix 1, is hereby approved, subject to the terms and conditions set forth in this order.

2. That United Cities Gas Company is hereby authorized to take any and all other actions necessary to effectuate the transaction contemplated by the application and this order.

3. That United Cities Gas Company shall file a pleading notifying the Commission of the closing date of the sale of assets within ten days of its completion.

4. That United Cities Gas Company shall provide a copy of all journal entries made in connection with this sale to the Missouri Public Service Commission no later than 90 days after completion of the sale for inclusion in the official case papers in this docket.

5. That nothing in this order shall be considered a finding by the Commission of the value for ratemaking purposes of the properties herein involved, or as an acquiescence in the value placed upon said properties by United Cities Gas Company. Furthermore, the Commission reserves the right to consider the ratemaking treatment to be afforded this transaction in any later proceeding.

6. That this Order shall become effective on June 17, 1997.

BY THE COMMISSION

A handwritten signature in dark ink, appearing to read "Cecil I. Wright", with a long horizontal flourish extending to the right.

Cecil I. Wright
Executive Secretary

(S E A L)

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

ALJ: George