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JUL 25 2000

MEMORANDUM

Missouri Public  
Service Commission

TO: Missouri Public Service Commission Official Case File,  
Case No. GR-2000-392, File No. 200100048, United Cities Gas  
Company

FROM: Kim J. Elvington, Gas Department - Tariffs/Rate Design *KJE* *MAR*

*for Mr. Hattis 7/24/00* *for Mr. Hemwell 7-25-00* *BTH 7-25-00*  
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation for United Cities' Request for a One-time  
Waiver and an Unscheduled Summer Season PGA Filing Effective  
August 1, 2000.

DATE: July 24, 2000

On July 14, 2000, United Cities Gas Company (United or Company) of Franklin, Tennessee filed a tariff sheet proposed to become effective August 1, 2000. On July 19, 2000, United filed a substitute tariff sheet to correct an error. The tariff sheet was filed to reflect unscheduled changes in United's Purchased Gas Adjustment (PGA) factors as the result of changes in the estimated cost of natural gas for the remaining summer season. The summer season includes the months of April through October.

In conjunction with the filing of this tariff sheet, United filed a REQUEST FOR VARIANCE FROM TARIFF PROVISIONS (Request) on July 17, 2000. This Request seeks a one-time waiver from the PGA Clause of United's tariff due to escalations in the market price of gas since its scheduled summer filing. In addition, United cites the following three reasons for approval of this one-time waiver:

1. Send the correct price signal to its customers that will more closely reflect current gas costs;
2. Mitigate the under-recovery of gas costs this summer which would reduce the possibility of a higher Actual Cost Adjustment (ACA) for the next ACA period, and;
3. Help build consumer awareness of a possible increase in gas costs for the next winter period.

For the Palmyra District, the net effect of these changes will increase the firm PGA factor for the remainder of the summer season to \$0.5557 per Ccf from a summer season firm PGA factor of \$0.3914 per Ccf.

For the Bowling Green District, the net effect of these changes will increase the firm PGA factor for the remainder of the summer season to \$0.5849 per Ccf from a summer season firm PGA factor of \$0.4206 per Ccf.

For the Hannibal/Canton District, the net effect of these changes will increase the firm PGA factor for the remainder of the summer season to \$0.4966 per Ccf from a summer season firm PGA factor of \$0.3323 per Ccf.

For the Neelyville District, the net effect of these changes will increase the firm PGA factor for the remainder of the summer season to \$0.5126 per Ccf from a summer season firm PGA factor of \$0.3091 per Ccf.

Case No. GR-2000-392, under which these changes were filed, was established to track the Company's PGA factors to be reviewed in its 1999-2000 ACA filings. A final Commission decision in United's ACA Case No. GR-99-280 for its 1998-1999 ACA period is still pending. 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 Request and agrees that the one-time waiver request be granted. Staff has also reviewed the PGA filings and has determined that, with the exception of the one-time waiver request to file an unscheduled summer PGA, this filing was calculated in conformance with United's PGA Clause. Staff is of the opinion that good cause for approval of this tariff sheet on less than thirty days notice is demonstrated by United's Commission-approved PGA clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends the Commission grant the one-time waiver as requested by the Company on July 17, 2000, and approve the following tariff sheet, as substituted, to become effective August 1, 2000, interim subject to refund:

P.S.C. MO. No. 3

7<sup>th</sup> Revised SHEET No. 58 Cancelling 6<sup>th</sup> Revised SHEET No. 58

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