

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
February 27, 2001**

CASE NO: GR-2001-382

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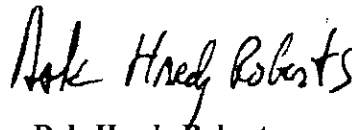
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Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



**Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge**

further delay. Public Counsel points out that at least four of MGE's annual ACA cases remain open and unresolved because of ongoing litigation. For this reason, Public Counsel requests that the Commission "expeditiously" review MGE's gas procurement practices for the winter heating season of 2000-2001.

In response to Public Counsel's request, on January 26, the Commission directed the Staff of the Missouri Public Service Commission (Staff) to

address whether or not such an audit should be undertaken with respect to each natural gas distributor with a tariffed PGA clause. Staff shall further advise the Commission as to the timeline of such a statewide audit, the necessary personnel and other resources, and whether a consultant or consultants from outside the Commission should be retained.

This response was made due by February 2.²

Also on January 26, 2001, Public Counsel filed similar requests in Case Nos. GR-2001-394 (Greeley Gas Company), GR-2001-396 (Atmos Energy Corporation), and GR-2001-397 (United Cities Gas Company); another such request was filed on January 29 in Case No. GR-2001-388 (Southern Missouri Gas Company, L.P.). On January 30, Public Counsel filed a response to the Commission's Order of January 26, explaining that it had not filed a request in Case No. GR-2001-387 (Laclede Gas Company) because it believed that the Commission lacks authority to undertake a prudence review of Laclede's gas purchasing activity outside of Laclede's tariffed Gas Supply Incentive Plan (GSIP).

² On January 31, 2001, the Commission directed Staff to file a copy of its response in each of Case Nos. GR-2001-388, GR-2001-394, GR-2001-396, and GR-2001-397.

MGE responded to Public Counsel's request on January 29. MGE stated that it is "supportive of the general thrust of Public Counsel's request for expedited review"; however, "that request raises a number of concerns which must be addressed." These concerns, stated briefly, are: (1) that review of less than all of the 12-month ACA period "will add needless complexity to the process to the likely end of slowing it down rather than speeding it up"; (2) that there will be no "commonly understood beginning ACA balance . . . from which any adjustments can be made"; and (3) that the retrospective review proposed by Public Counsel will do nothing to benefit ratepayers in the future.³

Staff, in turn, responded on February 2. Staff stated that an ACA review is "an extensive and time-consuming process," requiring "an audit of all of MGE's purchase, transportation and storage transactions, and a true-up of audited costs to its billed revenues." Staff asserted that such a review cannot begin until MGE "closes its books for the current ACA period, which ends June 30, 2001." In the meantime, Staff suggests that it and Public Counsel should monitor MGE's costs and ACA balance on a continuing basis and, in mid-March, begin a review of MGE's "hedges, physical and otherwise, for the current ACA period," with a report to be filed by June 30, 2001. Staff also stated that such a review should be undertaken for all Missouri LDCs, including Laclede. Finally, Staff warns that

³ Public Counsel sought to refute these criticisms in its response filed on February 13, 2001.

undertaking a hedging review would result in delay to currently pending ACA audits.

On February 13, Staff filed a supplementary response to Public Counsel's request. Therein, Staff suggested that "the Commission open a single docket to examine the performance of all Missouri local distribution companies ("LDCs")." Staff avers that such a single case, "with the participation of all LDCs, will best provide the Commission the opportunity to examine what conditions led to the unscheduled filings this winter; why a few LDCs were able to avoid unscheduled filings this winter; and to establish what natural gas purchasing practices with respect to hedging were prudent." Additionally, Staff would require a consultant "to provide information on the strategies employed by large consumers of natural gas, and other LDCs throughout the nation, to deal with the price volatility this heating season." Staff proposes to produce a report by June 30, 2001. However, Staff cautions that this case would have "a significant affect [sic] on the Staff's resources," causing three to six months delay to other pending matters.

Discussion:

Staff's latest proposal, in its supplementary response, is unnecessary because the Commission has already established a single case within which to review generic issues affecting natural gas rates: *In the Matter of a Commission Inquiry into Purchased Gas Cost Recovery*, Case No. GE-2001-398 (*Order Establishing Case and Creating Task Force*, issued January 23, 2001). That case was expressly established to "investigate the process for the recovery of natural

gas commodity cost increases by LDCs from their customers" and it is the appropriate forum in which to consider each LDC's gas supply plan for price stability, flexibility, price protection, alternatives, and purchasing rationales.

As for Public Counsel's request, the Commission has determined that the best way to proceed is within the context of the existing ACA process. In both of its responses to Public Counsel's request, Staff has warned that delay is a likely consequence of undertaking new and expedited reviews. The Commission does not consider any such delay to be in the public interest. Therefore, the Commission will convene a prehearing conference in each LDC's current ACA case in order to permit the parties to cooperatively develop an appropriate procedural schedule to permit the completion of the normal ACA review as quickly and efficiently as possible.

The goal shall be resolution by the Commission of any contested issues by the end of the present calendar year rather than sometime in 2003 as Public Counsel warned in its request. In the event that Staff believes that this work cannot be completed by the date herein stated, Staff shall promptly so notify the Commission.

Prehearing Conference and Proposed Procedural Schedule:

At the prehearing conference, the parties' representatives should be prepared to cooperate in developing a procedural schedule designed to permit completion of the ACA review, and resolution by the Commission of any contested issues, by December 31, 2001. It is expected that the parties will work cooperatively together in developing this procedural schedule. The parties shall jointly file the

proposed procedural schedule. The proposed procedural schedule shall establish dates for necessary steps in the ACA review process and shall include dates for the prefiling of direct, rebuttal and surrebuttal testimony according to Commission rule, the filing of a joint list of issues, a statement by each party of its position on each issue, and a list of witnesses. The proposed procedural schedule shall also establish dates for a hearing no later than November 30, 2001.

IT IS THEREFORE ORDERED:

1. That a prehearing conference shall be held on March 14, 2001, beginning at 9:30 a.m. The prehearing will be held at the Commission's offices in the Governor Office Building, 200 Madison Street, Jefferson City, Missouri, a building that meets the accessibility standards required by the Americans With Disabilities Act. If any person needs additional accommodations to participate in this prehearing, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or 1-800-829-7541 (TDD) prior to the hearing.

2. That the parties shall jointly prepare and file a proposed procedural schedule no later than March 21, 2001.

3. That this order shall become effective on March 9, 2001.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive style with a large, stylized "D" and "R".

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Kevin A. Thompson, Deputy Chief
Regulatory Law Judge, by delegation
of authority pursuant to
Section 386.240, RSMo 2000.


Dated at Jefferson City, Missouri,
on this 27th of February, 2001.

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 27th day of February 2001.



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

