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November 1, 2000

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, Missouri 65102

FILED³

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Missouri Public
Service Commission

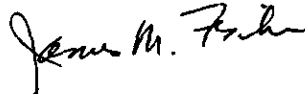
RE: *United Cities Gas Company*
Case No. GR-2000-288

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter are the originals and eight (8) copies of United Cities Gas Company's Response to Staff Recommendation. A copy of the foregoing document will be hand-delivered or mailed this date to each party of record.

Thank you for your attention to this matter.

Sincerely,



James M. Fischer

/jr
Enclosures

cc: Office of the Public Counsel
Dana K. Joyce, General Counsel

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

FILED³
NOV 01 2000

Missouri Public
Service Commission

In the matter of United Cities Gas)
Company's Tariff Revisions Designed)
to be Reviewed in Its 1998-1999 Actual) Case No. GR-2000-288
Cost Adjustment for the Missouri Service)
Area of the Company.)

**UNITED CITIES GAS COMPANY'S
RESPONSE TO STAFF RECOMMENDATION**

COMES NOW United Cities Gas Company, a Division of Atmos Energy Corporation, (hereinafter "UCG" or "Company") by and through its counsel of record and states its Response to the Staff's Recommendation, filed on August 1, 2000, as follows:

1. On September 29, 2000, the Commission Staff filed its recommendations following the completion of the audit of the Actual Cost Adjustment ("ACA") rates filed by UCG on November 30, 1999. The Commission Staff reviewed UCG's calculations and made specific recommendations as discussed in its Staff Recommendation:

- 1) increase the Hannibal/Canton District's demand over-recovery ACA balance by \$12,568;
- 2) increase the Palmyra District's demand over-recovery ACA balance by \$3,717, decrease the Palmyra District's commodity under-recovery ACA balance by \$47,174, and decrease the Palmyra District's TOP over-recovery ACA balance by \$328;
- 3) provide additional information regarding items noted in Staff's reliability analysis.

2. On October 4, 2000, the Commission issued its Order Directing Filing in which it established November 1, 2000 as the deadline for UGC to file its response to the Staff Recommendation.

3. After reviewing the Staff's Recommendation in this matter, the Company has determined that most of the above-referenced recommendations are acceptable to the Company and should be implemented. However, UGC disagrees with some recommendations and believes some clarification of other statements in the Staff Recommendation would be helpful.

- a) With regard to the Staff's proposed adjustments listed in Recommendation No. 1 listed on pages 3-4, UGC is in agreement with Staff with the exception of the Commodity ACA adjustment for Palmyra. Staff is proposing to decrease the commodity under-recovery ACA balance by \$47,174. UGC agrees that an adjustment needs to be made. However, several billing errors were not taken into account by the Staff when it proposed its adjustment. The correct adjustment should be \$31,628.
- b) With regard to the Staff Recommendation No. 2, UGC agrees to annually review and routinely update the assumptions and calculations used to estimate the peak day demand and the peak day capacity for the UGC distribution systems to assure sufficient capacity. Staff recommends that this be completed and submitted by February 1, 2001. UGC requests that this completion date be changed to April 30, 2001, in order to incorporate the most recent winter period in its analysis.
- c) UGC concurs with Staff's recommendation to conduct and submit a revised peak day and annual demand study for the distribution systems. However, UGC does not agree that the coldest historical peak HDD of 80.5 that occurred on December 22, 1989, or alternatively, a statistical analysis for one (1)- occurrence per thirty (30) years is appropriate. UGC believes that this approach will require the Company to obtain additional firm capacity (except in areas with a sufficient one-part capacity rate structure that covers the increase estimated demand) that will result in unnecessary increases in cost to the Company's Missouri customers. UGC believes however that a 1-occurrence in five (5) years is a more realistic approach.
- d) With regard to Staff's suggestions to utilize different weather stations than the first order National Weather Service stations currently being used by the Company, UGC is not opposed to changing to the suggested weather stations provided that historical data is available.

- e) UCG concurs with the remainder of the Staff's recommendations.

WHEREFORE, having responded to the Staff Recommendation, United Cities Gas Company urges the Commission give the parties additional time to discuss their relatively minor differences in this matter.

Respectfully submitted,


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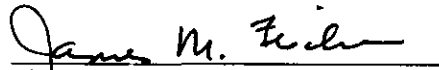
ATTORNEYS FOR
UNITED CITIES GAS COMPANY, A DIVISION
OF ATMOS ENERGY CORPORATION

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, First Class, postage prepaid, this 1st day of November 2000, to:

Office of the Public Counsel
P.O. Box 7800
Jefferson City MO 65102

Dana K. Joyce, General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City MO 65102


James M. Fischer