

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: UNITED CITIES GAS COMPANY, A DIVISION OF ATMOS ENERGY CORPORATION	DOCKET NO. PGA-01-14
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**ORDER DOCKETING PURCHASED GAS ADJUSTMENT FILING
AND NOTIFYING OF VIOLATION**

(Issued March 28, 2001)

On March 1, 2001, United Cities Gas Company, a division of Atmos Energy Corporation (United Cities), filed its March 2001 purchased gas adjustment (PGA). The PGA factor filed by United Cities went into effect automatically pursuant to 199 IAC 19.10(3). United Cities stated in its filing that it included an Rb factor as Board rules required, that it estimated that the overcollection of \$304,000 through January 2001 was fully refunded, and actual sales data for February 2001 would be available by March 8, 2001. The Board by order issued February 2, 2001, in Docket No. WRU-01-4-222, had granted United Cities a waiver of the 199 IAC 19.10(4) to allow the refund of the overcollection to occur in February 2001.

The refund in February was required because United Cities had not included in its calculations of the PGA the price of gas taken from storage. Subrule 199 IAC 19.10(1) requires that PGAs shall be calculated using factors filed according to the following formula.

$$\frac{(C \times R_c) + (D \times R_d) + (N \times R_n) + (Z \times R_z) + R_b + E - K}{S}$$

Subrule 199 IAC 19.1(1) then describes the information that is required for each of the elements of the above formula. In pertinent part, the rule states that Z "is the total quantity of applicable storage service purchases required to meet sales, S, for each customer classification or grouping." Rz is described as "the weighted average of applicable storage service rates to be in effect September 1 corresponding to purchases Z."

INSTALLATION OF FEBRUARY PGA GAS FILING

When reviewing the February 2001 PGA filing the Board discovered that United Cities had not included a calculation for storage, Z and Rz, in its PGA calculation. The Board contacted United Cities with this problem and the resulting overcollection. United Cities responded by requesting the waiver of the Rb factor calculation to return the over recovery in the February PGA.

The Board has now reviewed the March 2001 calculation of the PGA factor and finds that United Cities has not included a storage component, Z + Rz, in the March 2001 PGA. In its review the Board also believes that United Cities has not complied with the requirement of computing storage by the weighted average of applicable storage rates, Rz. The Board believes these two rule violations have led to an additional over recovery by United Cities.

The Board finds the United Cities March 2001 PGA filing should be docketed for further review. The Board will require United Cities to respond to questions as set

out below. The responses should include actual amounts where possible, or where estimates are used, United Cities shall provide the methodology to calculate the estimates. The answers to the questions shall provide supporting data and identify what are the source documents for the information.

QUESTIONS

1. Why did United Cities fail to include a storage factor in its March 2001 PGA filing?
2. Why did United Cities fail to include a storage factor in PGA filings prior to March 2001?
3. Why did United Cities use the FIFO (First In First Out) method for accounting purposes for storage, but annual average method for PGA purposes?
4. Provide the cost/benefit analysis, including actual dollar amounts used in the analysis, for injecting natural gas into storage in December 2000 and January 2001.
5. Explain how the March Rb factor calculation can have similar cost and revenue estimates, when United Cities has refunded over \$300,000 through the Rb factor in February 2001.
6. Explain how the Rb factor, using the E factor correction, can show an overcollection of \$351,173 when United Cities has refunded over \$300,000 through the Rb factor in February 2001.

7. Provide the calculations and methodologies used in calculating the cost of gas since September 2000 by customer class, including actual and estimated costs and revenues.
8. Indicate if United Cities uses accounting methods for company purposes different from the accounting methods used for calculation of the PGA filing.
9. Recalculate the PGA for each month from September 2000 through March 2001 using corrections made to calculate the April 2001 PGA.
10. For information purposes, please provide the storage factor using the FIFO method, and using a weighted average of applicable storage service rates.

NOTICE OF VIOLATION

The Board began discussions with United Cities in January of this year that focused on its high cost of gas and compliance with 199 IAC 19.10. Those discussions resulted in the refunding of over \$300,000 to United Cities' customers in the February 2001 PGA. Based upon those conversations and the refund, the Board expected United Cities to change its method of calculating its PGA to comply with 199 IAC 19.10. In the March 2001 PGA filing, United Cities again did not comply with the Board's PGA rule.

Iowa Code § 476.51 (2001) provides that a public utility, which after written notice by the Board of a specific violation, violates the same rule, is subject to civil penalties. The statute provides that the written notice given by the Board shall provide an appropriate time for compliance. The Board believed that the problem

concerning United Cities' PGA filings would be resolved through the discussions in January and February and did not provide written notice of the violations. By this order the Board gives written notice to United Cities that it is in violation of Board rule 199 IAC 19.10 in its failure to include Z and Rz in its March 2001 PGA filing. The Board directs United Cities to comply with all of the requirements of 199 IAC 19.10 in its April PGA filing. It is particularly important that United Cities greatly improve the accuracy of its estimates in the Rb factor to prevent another gross overcollection.

United Cities has had sufficient opportunity through its discussions with staff since January to file PGAs according to Board rules. Although United Cities has been made aware of its noncompliance, it has not yet complied as is shown by its March 2001 filing. It is reasonable for the Board to require United Cities to comply in its April 2001 PGA filing. This is important because the failure of United Cities to comply with the Board's PGA rules has resulted in an over recovery from customers. During this winter heating season, customers experienced extremely high bills caused by record cold temperature and record high gas costs. It is unacceptable that United Cities customers also experience higher bills associated with the failure of United Cities to comply with Board PGA rules during this trying period. Customers should not have to wait any longer to have their bills that reflect a correctly calculated PGA.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The March 2001 purchased gas adjustment filing made by United Cities Gas Company, a division of Atmos Energy Corporation, on March 1, 2001, is docketed for review by the Utilities Board.
2. United Cities Gas Company shall, on or before April 13, 2001, respond to the questions as set out in this order.
3. This order is notice of a violation of 199 IAC 19.10 under the provisions of Iowa Code § 476.51 (2001). A subsequent violation of that rule in the April 2001 PGA filing of United Cities Gas Company, or in any subsequent PGA filing, will subject the utility to the possible levy of civil penalties.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper
Acting Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 28th day of March, 2001.