BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 19, 2006

IN RE:	)	
	)	
NASHVILLE GAS COMPANY	)	**DOCKET NO.**
ACTUAL COST ADJUSTMENT (ACA) AUDIT	)	**05-00102**

ORDER ADOPTING ACA AUDIT REPORT OF TENNESSEE REGULATORY AUTHORITY'S UTILITIES DIVISION

This matter came before Chairman Ron Jones, Director Deborah Taylor Tate and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on November 7, 2005, for consideration of the report of the Authority's Utilities Division (the "Staff") resulting from the Staff's audit of Nashville Gas Company's (the "Company") annual deferred gas cost account filing for the year ended December 31, 2004. The Actual Cost Adjustment ("ACA") Audit Report (the "Report"), attached hereto as Exhibit 1 and incorporated by this reference, contains the audit findings of the Staff, the responses thereto of the Company, and the recommendations of the Staff to the Company in addressing the findings.

The Company submitted its ACA filing on April 18, 2005, and the Staff completed its audit of the Company's filing on October 11, 2005. On October 11, 2005, the Staff issued its preliminary ACA audit findings to the Company, and the Company responded to these findings on October 18, 2005.

The Report contains eight findings made by Staff.[1] The net amount of these findings is $21,712 in over-recovered gas costs. Therefore, the Company's reported December 31, 2004 balance of $3,039,063 in under-collected gas costs is decreased by this amount and the corrected balance is $3,017,351 in under-collected gas costs. The net amount of the findings represents less than one percent of the Company's total gas invoices, and is therefore immaterial by comparison. The Company has agreed to all of the Staff's findings contained in the audit report with no further disputes in this audit period.

After consideration of the Report, the voting panel unanimously approved and adopted the findings and recommendations contained therein.

IT IS THEREFORE ORDERED THAT:

The Actual Cost Adjustment Audit Report of Nashville Gas Company's annual deferred gas cost account filing for the year ended December, 31 2004, a copy of which is attached to this Order as Exhibit 1, is approved and adopted, and the findings and recommendations contained therein are incorporated in this Order as if fully rewritten herein.

Ron Jones, Chairman

* * * [2]

Deborah Taylor Tate, Director

Sara Kyle, Director

[1] See *Notice of Filing by the Utilities Division of the Tennessee Regulatory Authority*, pp 7-14 of Exhibit A (October 20, 2005).

[2] Director Tate voted in agreement with the other directors but resigned her position as director before the issuance of this order

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 20, 2005

IN RE:	)	
	)	
NASHVILLE GAS COMPANY	)	**Docket No. 05-00102**
ACTUAL COST ADJUSTMENT (ACA) AUDIT	)	

NOTICE OF FILING BY THE UTILITIES DIVISION OF THE TENNESSEE REGULATORY AUTHORITY

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Regulatory Authority hereby gives notice of its filing of the Compliance Audit Report of the Actual Cost Adjustment (hereafter "ACA") Component of the Purchased Gas Adjustment Rule for Nashville Gas Company (hereafter the "Company") in this docket and would respectfully state as follows:

1. The present docket was opened by the Authority to hear matters arising out of the audit of the Company's ACA filing for the period January 2004 through December 2004.

2. The Company's ACA filing was received on April 18, 2005, and the TRA Staff completed its audit of same on October 11, 2005.

3. On October 11, 2005, the Utilities Division issued its preliminary ACA audit findings to the Company and on October 18, 2005, the Company responded thereto.

4. The preliminary ACA audit report was modified to reflect the Company's responses and a final ACA audit report (the "Report") resulted there from. The Report is

Exhibit 1

attached hereto as Exhibit A and is fully incorporated herein by this reference. The Report contains the audit findings of the Utilities Division, the Company's responses thereto and the recommendations of the Utilities Division in connection therewith.

5. The Utilities Division hereby files its Report with the Tennessee Regulatory Authority for deposit as a public record and approval of the recommendations and findings contained therein.

Respectfully Submitted:

Pat Murphy

Pat Murphy, Manager
Utilities Division
Tennessee Regulatory Authority

<u>**CERTIFICATE OF SERVICE**</u>

I hereby certify that on this 20th day of October, 2005, a true and exact copy of the foregoing has been either hand-delivered or delivered via U.S. Mail, postage pre-paid, to the following persons:

Ron Jones
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Mr. Bill Morris
Director – Planning and Development
Piedmont Natural Gas Company
P.O. Box 33068
Charlotte, NC 28233

Mr. David Carpenter
Director-Rates
Piedmont Natural Gas Company
P.O. Box 33068
Charlotte, NC 28233

Ms. Ann Boggs
Director - Gas Accounting
Piedmont Natural Gas Company
P.O. Box 33068
Charlotte, NC 28233

Pat Murphy

Pat Murphy

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

<u>Nashville Gas Company</u>

<u>ACTUAL COST ADJUSTMENT</u>

DOCKET NO. 05-00102

PREPARED BY

<u>TENNESSEE REGULATORY AUTHORITY</u>

UTILITIES DIVISION

October 2005

COMPLIANCE AUDIT

NASHVILLE GAS COMPANY

ACTUAL COST ADJUSTMENT

DOCKET NO. 05-00102

TABLE OF CONTENTS

I. INTRODUCTION

The subject of this audit is Nashville Gas Company's ("Company" or "NGC") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Regulatory Authority ("TRA" or the "Authority"). The objective of the audit was to determine whether the Purchased Gas Adjustments, which are encompassed by the Actual Cost Adjustment ("ACA")[1], for the twelve (12) months ended December 31, 2004, were calculated correctly and were supported by appropriate source documentation.

II. AUDIT OPINION

On Aprl 18, 2005, the TRA Audit Staff (hereafter "Staff") received NGC's ACA filing supporting the activity in its deferred gas cost account ("ACA account") for the period January 1, 2004 through December 31, 2004. The Company filed a PGA on June 14, 2005, effective July 1, 2005, implementing a rate adjustment to distribute the balance reflected in the ACA account at March 31, 2005 to the various rate classes. This ACA filing however only accounts for the Company's ACA balance at December 31, 2004. The filing showed $146,709,968 in total gas costs, with $134,847,908 being recovered from customers through rates. Adding a beginning balance in the ACA account of $8,882,229 in over-collected gas costs from the preceding ACA period and interest due from customers for the current period of $59,231 resulted in an ACA balance at December 31, 2004 of **$3,039,063 in under-recovered gas costs**[2] Normally the Company would surcharge this amount to its customers through a PGA adjustment to its tariff. However, since the balance in the ACA account changed materially from December 2004 to April 2005 at the time of the filing, the Company chose their March 31, 2004 ACA balance of **$614,937 in over-collected gas costs** to refund its customers beginning July 1, 2005.

Staff's audit resulted in eight (8) findings.[3] The net amount of these findings is **$21,712 in over-recovered gas costs**. Therefore, the Company's reported December 31, 2004 balance of $3,039,063 in under-collected gas costs is decreased by this amount. The corrected balance in the ACA account at December 31, 2004 is **$3,017,351 in under-recovered gas costs.** The amount of the Company's errors represent less than one percent of its total gas invoices, and is therefore immaterial by comparison. Therefore, Staff concludes that except for the findings noted in this report, NGC is correctly implementing its Purchased Gas Adjustment Rider as calculated in the Actual Cost Adjustment, in accordance with the TRA rules for Nashville Gas Company.

[1] The ACA is more fully described in Section V

[2] A summary of the ACA account can be found in Section VII

[3] Refer to Section VII for a description of the findings

III. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Nashville Gas Company, with headquarters at 665 Mainstream Drive, Nashville, Tennessee, is an operating division of Piedmont Natural Gas Company, which has its headquarters at 1915 Rexford Road, Charlotte, North Carolina. NGC is a gas distributor that provides service to several communities in the Middle Tennessee area. The natural gas used to serve these areas is purchased from producers and marketers and transported to Nashville's city gate through the interstate transmission facilities of Tennessee Gas Pipeline (TGP), Columbia Gas Transmission Corporation (CGTC), and Texas Eastern Gas Pipeline (TETCO).

IV. JURISDICTION OF THE TENNESSEE REGULATORY AUTHORITY

Tennessee Code Annotated (T.C.A.) gave jurisdiction and control over public utilities to the Tennessee Regulatory Authority. T.C.A. §65-4-104 states that:

> The [A]uthority has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

Further, T.C.A. §65-4-105 grants the same power to the Authority with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T.C.A. have conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies. By virtue of T.C.A. §65-3-108, this power includes the right to audit:

> The department is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The Utilities Division Staff of the TRA is responsible for auditing those energy and water utilities under the Authority's jurisdiction to ensure that each company is abiding by Tennessee statute as well as the Rules and Regulations of the Authority. Pat Murphy, Gary Lamb and Paul Greene conducted this audit.

V. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE

Actual Cost Adjustment Audits:

The PGA Rule can be found in Chapter 1220-4-7 of the Rules of the Tennessee Regulatory Authority. The PGA Rule permits a gas company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that a company does not over-collect or under-collect gas costs from its customers. The PGA consists of three major components:

1. **The Actual Cost Adjustment (ACA)**
2. **The Gas Charge Adjustment (GCA)**
3. **The Refund Adjustment (RA)**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of the TRA in another docket) as reflected in the Deferred Gas Cost account. The ACA then "trues-up" the difference between the actual gas costs and the gas costs recovered from customers through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A.

Section 1220-4-7-.03(2) of the PGA Rule requires:

> Each year, the Company shall file with the [Authority] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Authority] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180-day notification period may be extended by mutual consent of the Company and the [Authority] Staff or by order of the [Authority].

Prudence Audit of Gas Purchases:

Section 1220-4-7-.05 of the PGA Rule requires, unless otherwise ordered by the Authority, an "Audit of Prudence of Gas Purchases" by a qualified consultant. This specialized audit evaluates and reports annually on the prudence of any gas costs included in the PGA. In Docket 96-00805, Nashville Gas was authorized to operate under a Performance-Based Ratemaking Mechanism ("PBR"), beginning July 1, 1998, and continuing each year unless terminated by the Company or the Authority. For each year that the mechanism is in effect, the requirements of Section 1220-4-7-.05 of the PGA Rule is waived.

VI. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of NGC's ACA account. The audit goal was to verify that the Company's calculations of gas costs incurred and recovered were materially correct,[4] and that the Company is following all Authority orders and directives with respect to its calculation of the ACA account balance. Also included in this audit is the Company's PGA filing implementing a customer refund of the ACA account balance at March 31, 2005, effective July 1, 2005. Refer to the ACA Account detail provided in Section VII Summary of ACA Account.

To accomplish the audit goal, Staff reviewed gas supply invoices, as well as supplemental schedules and other source documentation provided by the Company. Where appropriate, Staff requested additional information to clarify the filing.

[4] The audit goal is not to guarantee that the Company's results are 100% correct Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company's calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff's review

VII. ACA AUDIT FINDINGS

As outlined in Section II above, the result of the Staff's audit was a **net over-recovery of $21,711.68** which has the effect of decreasing the Company's under-recovery balance in the ACA account by this amount. A summary of the account as filed by the Company and as adjusted by the Staff is shown below, followed by a detail of each finding.

SUMMARY OF THE ACA ACCOUNT:

	Company	Staff	Difference (Findings)
Commodity Balance at 1/1/04	$ -5,423,847.97	$ -5,423,847.97	$ 0.00
Plus Gas Costs	140,750,544.52	141,165,846.37	415,301.85
Minus Recoveries	130,174,331.24	130,174,331.24	0.00
Ending Balance before Interest	$ 5,152,365.31	$ 5,567,667.16	$ 415,301.85
Plus Interest	173,344.08	178,884 83	5,540.75
Commodity Balance at 12/31/04	$ 5,325,709.39	$ 5,746,551.99	$ 420,842.60
Demand Balance at 1/1/04	$ -3,458,380.79	$ -3,458,380 79	$ 0.00
Plus Gas Costs	5,959,424.29	5,523,906.69	-435,517.60
Minus Recoveries	4,673,576.83	4,675,177.39	1,600.56
Ending Balance before Interest	$ -2,172,533.33	$ -2,609,651.49	$ -437,118.16
Plus Interest	-114,113 18	-119,549.30	-5,436.12
Demand Balance at 12/31/04	$- 2,286,646.51	$ -2,729,200.79	$ -442,554.28
Total ACA Ending Balance at 12/31/04	$ 3,039,062.88	$ 3,017,351.20	$ -21,711.68

SUMMARY OF FINDINGS

				See page
FINDING #1	2003 ACA Finding #9-Commodity	$ 18,282.13	Under-recovery	7
	2003 ACA Finding #9-Demand	-18,282.13	Over-recovery	7
FINDING #2	2003 ACA Finding #8-Commodity	753.00	Under-recovery	8
	2003 ACA Finding #8-Demand	-753.00	Over-recovery	8
FINDING #3	2003 ACA Finding #1-Commodity	414,856.95	Under-recovery	9
	2003 ACA Finding #1-Demand	-417,205.88	Over-recovery	9
FINDING #4	Purchase Power Misclass-Commodity	1,114.19	Under-recovery	10
	Purchase Power Misclass-Demand	-1,114.19	Over-recovery	10
FINDING #5	2003 ACA Audit Finding 5-Demand	1,837.60	Under-recovery	11
FINDING #6	Recoveries – Demand	-1,600.56	Over-recovery	12
FINDING #7	Net Uncollectibles Error	-19,704.42	Over-recovery	13
FINDING #8	Interest Calculation-Commodity	5,540.75	Under-recovery	14
	Interest Calculation-Demand	-5,436.12	Over-recovery	14
	Net Result	**$ -21,711.68**		

FINDING #1:

Exception

When making an adjustment to the ACA Account for Finding #9 from the last audit, the Company booked the net audit adjustment to Commodity instead of appropriately adjusting the Commodity component and the Demand component.

Discussion

The 2003 ACA audit Finding #9 found that the Company overstated the amount of interest due to customers in the Commodity portion by \$21,529.42 and understated the amount of interest due to customers in the Demand portion by \$18,282.13. The Company made an adjustment in September 2004 to Commodity for the net adjustment of \$3,247.29. The correct adjustments should have been a **positive** adjustment (under-recovery) of \$21,529.42 to Commodity and a **negative** adjustment of -\$18,282.13 (over-recovery) to Demand.

Company Response

We concur.

FINDING #2:

Exception

When making an adjustment to the ACA Account for Finding #8 from the last audit, the Company booked the audit adjustment to the Commodity component instead of appropriately adjusting the Demand component.

Discussion

The 2003 ACA audit Finding #8 found that the Company understated the Demand recoveries by $753.00, which resulted in an over-recovery of $753.00 in the Demand portion of the ACA. The Company made this audit adjustment to the Commodity component instead. This resulted in an **under-recovery** of the Commodity component of $753.00 and an **over-recovery** of the Demand component of the same amount.

Company Response

We concur.

FINDING #3:

Exception

When making an adjustment to the ACA Account for Finding #1 from the last audit, the Company booked a net audit adjustment to the Commodity component of $103,012.38 instead of appropriately adjusting the Commodity and Demand components for the amounts stated in Finding #1.

Discussion

The Audit Staff found during the Nashville Gas 2003 ACA audit, that the beginning balances were understated $517,869.33 for Commodity costs and overstated $417,205.88 for Demand costs, for a net under-recovery in the ACA Account of $100,663.45. In the current filing the Company booked adjustments for Finding #1 of positive $103,297.76 in September 2004 and negative $285.38 in October 2004, resulting in a net adjustment of $103,012.38. Both adjustments were booked to the Commodity component.

The correct adjustment to the Commodity component should have been positive $517,869.33. This resulted in a $414,856.95 under-recovery ($517,869.33 minus $103,012.38) in the Commodity component. The correct adjustment for the Demand component should have been a negative $417,205.88. The Company made no adjustment for the Demand component resulting in an over-recovery in the Demand component of $417,205.88.

Company Response

We concur.

FINDING #4:

Exception

The Company booked the February 2004 cost for purchased power to the Demand component instead of the Commodity component of the ACA.

Discussion

In Docket No. 99-00994, Nashville Gas was given permission to recover the cost of power to operate its LNG plant. The Company erroneously booked a February 2004 invoice from Nashville Electric Service in the amount $1,114.19 as a miscellaneous Demand cost instead of a Commodity cost. This resulted in an over-recovery of $1,114.19 of Demand costs and an under-recovery of the same amount of Commodity costs.

Company Response

We concur.

FINDING #5:

Exception

The Company recorded an adjustment to correct Finding #5 of the 2003 ACA audit report in the amount of $918.80 as a negative instead of a positive number in the month of September 2004.

Discussion

Finding #5 of the 2003 ACA audit report was a result of the Company recording a supplier credit of $918.80 in the Demand component that they had not received. In September 2004, the Company erroneously recorded this adjustment as a negative number instead of a positive number resulting in an under-recovery of $1,837.60.

Company Response

We concur.

FINDING #6:

Exception

The Company understated its Demand gas cost recoveries by $1,600.56.

Discussion

The Company calculated the step recoveries for rate code 341 customers as $2,607.03 and $2,203.75 for the months of January and March 2004 respectively. The actual step recoveries for the months of January and March 2004 are $3,432.17 and $2,979.17 respectively. These miscalculations resulted in an over-recovery of $1,600.56 in the Demand component of the ACA.

Company Response

We concur.

FINDING #7:

Exception

The Company overstated its net Commodity gas costs by $19,704.42 for the gas cost portion of uncollectible accounts.

Discussion

In Docket No. 03-00209, Nashville Gas (as well as Chattanooga Gas and Atmos Energy) was given permission on an experimental basis to collect through the ACA mechanism the gas cost portion of uncollectible accounts written off. The Company reported a net over-recovery of negative $240,062.00 for the gas cost portion of uncollectible accounts for the months of March through September 2004.[5] This figure represents the difference between gas costs recovered through base rates and the Company's actual net write-offs. The Audit Staff requested additional information to verify the Company's amount. Using the Company's backup and the total uncollectible account allowance set in the Company's last rate case (Docket No. 03-00313), Staff calculated the net gas cost portion of uncollectible accounts written off to be recovered in the ACA as a negative $259,766.42 (over-recovery). The difference between the Company's amount and the amount calculated by the Audit Staff is a negative $19,704.42 (over-recovery).

Company Response

We concur.

[5] The effective date for the recovery of the gas cost portion of uncollectible accounts written off is March 10, 2004.

FINDING #8:

Exception

The Company understated the amount of interest due from customers in the Commodity component of the ACA filing and understated the amount of interest due to customers in the Demand component.

Discussion

The Company used the correct interest rates. Based on corrections of the above findings, the Audit Staff recalculated the interest amounts. The difference between the Company's calculations and the Audit Staff's calculations is an under-recovery of $5,540.75 in the Commodity component and an over-recovery of $5,436.12 in the Demand component of the ACA.

Company Response

We concur.

VIII. CONCLUSIONS AND RECOMMENDATIONS

Most of the errors discovered in this audit appear to be careless oversight errors. Findings #1 through #3 and Finding #5 deal with adjustment errors made in correcting prior audit findings. Finding #4 was a misclassification error in the current audit. Excluding Findings #6 (Demand Recoveries) and #7 (Gas Cost Uncollectibles), the results show a net $407 over-recovery. While the amount is insignificant, the concept behind the findings is important. Gas costs and gas cost recoveries are separated into commodity costs and recoveries and demand costs and recoveries. This separation is important because only customers who purchase gas from the Company are charged for commodity costs the Company incurs. Netting commodity costs and demand costs and charging one ACA adjustment to all customers penalizes those customers who buy their own gas and transport it over NGC's distribution system. These customers do not receive the commodity portion of the ACA adjustment.

In reviewing the Company's calculation of uncollectible gas costs, Staff noted that the net write-offs differed from the net write-offs reflected in the monthly reports submitted to Staff. The Company advised that the monthly reports contained preliminary numbers, and there were subsequent revisions. The Company did not provide Staff with the revised numbers.

The Company concurred with all of Staff's Findings, but did not state how it proposes to remedy errors going forward. Therefore, Staff makes the following recommendations:

1. The Company should increase its level of internal review to eliminate the type of errors reported in Findings #1 through #5.

2. The Company should provide Staff with revised monthly reports of net write-offs, whenever final numbers differ from preliminary numbers.

APPENDIX A

PGA FORMULA[6]

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + DACA}{SF} - DB + \frac{P + T + SR + CACA}{ST} - CB$$

$$\text{Non-Firm GCA} = \frac{P + T + SR \;\; CACA}{ST} - CB$$

where

GCA	=	The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
D	=	The sum of all fixed Gas Costs.
DACA	=	The demand portion of the ACA.
P	=	The sum of all commodity/gas charges
T	=	The sum of all transportation charges.
SR	=	The sum of all FERC approved surcharges.
CACA	=	The commodity portion of the ACA.
DB	=	The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).
CB	=	The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).
SF	=	Firm Sales.

[6] Pursuant to Docket 03-00209, the PGA Formula has been amended on an experimental basis to include the gas cost portion of uncollectible accounts

ST = Total Sales.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{DR1 - DR2}{SFR} + \frac{CR1 - CR2 + CR3 + i}{STR}$$

$$\text{Non-Firm RA} = \frac{CR1 - CR2 + CR3 + i}{STR}$$

where

RA	=	The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
DR1	=	Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.
DR2	=	A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.
CR1	=	Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.
CR2	=	A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.
CR3	=	The residual balance of an expired Refund Adjustment.

i = Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.

SFR = Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

STR = Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.