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BEFORE THE TENNESSEE REGULATORY AUTHORITY

T.R.A. DOCKET ROOM

NASHVILLE, TENNESSEE

December 12, 2006

IN RE:

NASHVILLE GAS COMPANY

ACTUAL COST ADJUSTMENT (ACA) AUDIT

)

)

) **Docket No. 06-00087**

)

**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 ("PGA 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 2005 through December 2005.

2. The Company's ACA filing was received on May 1, 2006, and the TRA Staff completed its audit of same on November 2, 2006.

3. On November 2, 2006, the Utilities Division issued its preliminary ACA audit findings to the Company and on December 7, 2006, the Company responded thereto.

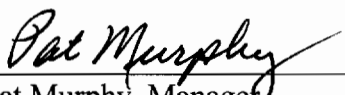
4. The preliminary ACA audit report was modified to reflect the Company's responses, Staff's responses to two Company responses and a final ACA audit report (the

“Report”) resulted therefrom. The Report is 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 original 180-days for completion of the audit of Nashville Gas Company was extended on several occasions, lastly January 8, 2007, by mutual consent of the Company and the Audit Staff as provided for in PGA Rule 1220-4-7-.03(2).

6. 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, Manager
Utilities Division
Tennessee Regulatory Authority

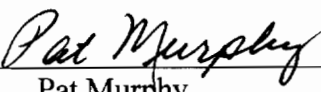
CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of December, 2006, 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:

Sara Kyle
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Mr. David Carpenter
Director-Rates
Piedmont Natural Gas Company
4720 Piedmont Row Drive
Charlotte, NC 28210

Ms. Kim Johnston
Piedmont Natural Gas Company
4720 Piedmont Row Drive
Charlotte, NC 28210



Pat Murphy

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

Nashville Gas Company

ACTUAL COST ADJUSTMENT

DOCKET NO. 06-00087

PREPARED BY

TENNESSEE REGULATORY AUTHORITY

UTILITIES DIVISION

December 2006

COMPLIANCE AUDIT
NASHVILLE GAS COMPANY
ACTUAL COST ADJUSTMENT
DOCKET NO. 06-00087
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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, 2005, were calculated correctly and were supported by appropriate source documentation.

II. AUDIT OPINION

On May 1, 2006, 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, 2005 through December 31, 2005. Nashville Gas filed a PGA March 29, 2006 to refund the balance in the ACA Account effective May 1, 2006.

Staff's audit resulted in six (6) findings.² The net amount of these findings is **\$274,212.37 in over-recovered gas costs**. The Company's reported December 31, 2005 balance of \$14,678,613.27 in over-collected gas costs is increased by the \$274,212.37 over-collected gas costs determined in this audit. The corrected balance in the ACA account at December 31, 2005 is **\$14,952,825.64 in over-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. 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.

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 4720 Piedmont Row Drive, 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).

¹ The ACA is more fully described in Section V.

² Refer to Section VII for a description of the findings.

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 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 "true-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 is to verify that the Company's calculations of gas costs incurred and recovered are materially correct,³ 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 filed March 29, 2006, effective May 1, 2006. Refer to the ACA Account detail provided in Section VII. SUMMARY OF THE 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.

³ 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

The result of the Staff's audit was a **net over-recovery of \$274,212.37** which has the effect of increasing the Company's over-recovered balance at December 31, 2005 by this amount. A summary of the account as filed by the Company and as adjusted by the Audit Staff is shown below, followed by a detailed description of each finding. Nashville Gas filed a PGA March 29, 2006 to refund the balance in the ACA effective May 1, 2006.

SUMMARY OF THE ACA ACCOUNT:

	Company	Staff	Difference (Findings)
Commodity Balance at 1/1/05	\$ 5,325,709.39	\$ 5,638,544.99	\$ 312,835.60
Plus Gas Costs	162,334,028.06	162,207,096.83	-126,931.23
Minus Recoveries	<u>186,634,722.38</u>	<u>186,634,722.38</u>	<u>0.00</u>
Ending Balance before Interest	\$-18,974,984.93	\$-18,789,080.56	\$185,904.37
Plus Interest	<u>-172,302.92</u>	<u>-145,662.91</u>	<u>26,640.01</u>
Commodity Balance at 12/31/05	<u>\$-19,147,287.85</u>	<u>\$-18,934,743.47</u>	<u>\$ 212,544.38</u>
 Demand Balance at 1/1/05	 \$-2,286,646.51	 \$ -2,729,200.79	 \$ -442,554.28
Plus Gas Costs	10,841,593.91	10,841,593.91	0.00
Minus Recoveries	<u>4,210,289.63</u>	<u>4,210,299.90</u>	<u>10.27</u>
Ending Balance before Interest	\$ 4,344,657.77	\$ 3,902,093.22	\$ -442,564.55
Plus Interest	<u>124,016.81</u>	<u>79,824.61</u>	<u>-44,192.20</u>
Demand Balance at 12/31/05	<u>\$4,468,674.58</u>	<u>\$ 3,981,917.83</u>	<u>\$ -486,756.75</u>
 Total ACA Ending Balance at 12/31/05	 <u>\$-14,678,613.27</u>	 <u>\$ -14,952,825.64</u>	 <u>\$ -274,212.37</u>

Note: A negative number indicates an over-recovery of gas costs.

SUMMARY OF FINDINGSSee page

FINDING #1	Beginning Balance-Commodity	\$ 312,835.60	Under-recovery	6
	Beginning Balance-Demand	-442,554.28	Over-recovery	6
FINDING #2	Accruals versus Actuals-Commodity	-125,971.12	Over-recovery	7
FINDING #3	Duplicate Cost Booked-Commodity	-960.11	Over-recovery	9
FINDING #4	Inventory Injection-Commodity		Interest effect only	10
FINDING #5	Demand Recovery	-10.27	Over-recovery	11
FINDING #6	Interest-Commodity	26,640.01	Under-recovery	12
	Interest-Demand	<u>-44,192.20</u>	Over-recovery	12
Net Result		<u>\$ -274,212.37</u>	Over-recovery	

FINDING #1:

Exception

The Company's ACA filing did not reflect the prior year's ACA and WNA Audit findings⁴.

Discussion

Staff adjusted the Company's beginning Commodity under-recovered balance to reflect the total \$420,842.60 Commodity audit findings cited in the prior audit. Staff also adjusted the Company's beginning Commodity under-recovered balance by the \$108,007 WNA over-recovery.⁵

The net of the two Audit findings for the prior year's ACA and WNA Audits was \$312,835.60 in under-recovered Commodity costs. Audit Staff adjusted the Company's Commodity under-recovered beginning balance from \$5,325,709.39 to \$5,638,544.99 to incorporate these findings. These adjustments effectively increased the under-recovery.

Staff adjusted the Company's beginning Demand over-recovered balance from \$2,286,646.51 to \$2,729,200.79 to reflect the total \$442,554.28 Demand adjustment cited in the prior ACA audit. This adjustment effectively increased the Company's over-recovery.

Company Response

Nashville Gas agrees that adjustments were not made by the Company to reflect the agreement on findings from the Company's ACA audit of the twelve months ending December 31, 2004 or to reflect the agreement on findings from the Company's WNA audit for the period November 1, 2004 through March 31, 2005, and accepts Audit Staff's Finding #1 on this basis.

⁴ Staff ACA Audit Report, page 5 (Docket No. 05-00102) and Staff WNA Audit Report, page 5 (Docket No. 05-00178).

⁵ Traditionally, Nashville Gas has flowed WNA audit adjustments through the ACA Account.

FINDING #2:

Exception

In each month, the Company accrued estimated gas costs, cash outs, deferred gas costs, and banked gas costs for the current month, followed by reversals and booking of actuals in the subsequent month.

Discussion

Each month, the Company reported an accrual for estimated gas costs for the current month, actual gas costs for the prior month, an accrual for cash outs, and reversed the prior month's accrual for estimated gas costs and accrual for cash outs. While in theory this methodology would, if accounted for properly, reflect actual gas costs, it causes the audit process to be unduly complicated and is therefore unacceptable to Staff. Additionally, this methodology will affect the calculation of interest on the ACA Account balance each month due to timing differences.

Staff removed the unnecessary accruals and properly reflected gas costs in the period in which they were actually incurred. The net effect (excluding interest) of Staff's adjustments is a decrease to the Company reported Commodity gas costs of \$125,971.12. While the Demand adjustments did not change the total gas costs reported, the calculated interest each month changed due to timing differences.

Company Response

Nashville Gas disagrees, in part, with Audit Staff's Finding # 2. The Company's methodology of each month accruing estimated gas costs, cash outs, deferred gas costs, and banked gas costs for the current month, followed by reversals and booking of actuals in the subsequent month, will reflect actual gas costs. Audit Staff agrees to this point in its discussion above. Audit Staff did find an error in the Company's ACA schedules regarding the treatment of estimated and actual A/P accruals between October 2005 and November 2005. The net effect of this error alone results in a \$106,139.44 over-recovery on the Commodity balance reflected on the ACA schedule. Nashville Gas accordingly agrees to correct this error and properly account for the \$106,139.44 on its ACA schedules. However, Audit Staff has not identified any other specific errors by the Company that constitute the additional \$19,831.68 of adjustments that Audit Staff desires the Company to make.

Nashville Gas recognizes the complicated nature of the methodology it currently uses to account for actual gas costs. Nashville Gas desires to continue to work with Audit Staff to explore the differences between Audit Staff's preferred accounting methodology and the Company's current methodology, and accordingly reconcile any material errors in the Company's accounting treatment of gas costs for calendar year 2005. In that process, the Company also desires to work with Audit Staff to reach consensus on an ACA reporting

structure that simplifies the audit process for future periods while also satisfying the internal reporting needs of the Company.

Staff Response to Company Response

The \$106,139.44 adjustment agreed to by the Company was the result of the Company failing to reverse an estimated accrual from the prior month in November 2005. This error on the part of the Company was easily identifiable from the filing. The difference of \$19,831.68 that the Company stated was not specifically identified by Staff was the net result for the audit period of Staff's recording actual gas costs in the month in which they occurred. Staff did not attempt to reconcile this adjustment by month, since this amount is immaterial when compared with the approximately \$573 million in gas costs for the period.

By making these adjustments monthly, Staff is not trying to alter the methodology the Company uses to book transactions to its General Ledger, which is based on accrual accounting. This is a Company decision. Staff, however, believes the intent of the PGA Rule is for gas costs to be debited to the Deferred Gas Cost Account in the month in which they are incurred. Staff does not see this as a problem for the Company, since the ACA filing occurs after the months in question are closed and the actual costs for each month are known. The booking of accruals and reversals to the ACA Account is unnecessary and overly complicates the auditing process. NGC is the only gas company that uses this methodology.

FINDING #3:**Exception**

The Company included an invoiced expense twice in the calculation of the January 2005 gas costs.

Discussion

The Company included a gas cost expense of \$960.11 twice in January 2005. Audit Staff reduced January 2005 gas cost by \$960.11 to correct the January 2005 gas cost expense.

Company Response

Nashville Gas agrees with Audit Staff's Finding # 3 that the duplicate gas cost expense of \$960.11 should be corrected.

FINDING #4:**Exception**

The Company recorded a refill injection in the incorrect month.

Discussion

The Company recorded a refill injection of \$535,893.54 twice in October 2005. In November 2005, the Company reversed both entries. Subsequently, in December 2005 the Company booked the \$535,893.54. Staff made an adjustment to record the refill injection in October 2005, the month it occurred. This adjustment only affects the calculation of interest caused by the timing of recording of the transaction.

Company Response

Nashville Gas agrees with Audit Staff's Finding # 4.

FINDING #5:

Exception

The Company failed to include recoveries for Rate Schedule 328 in its calculation of the ACA Account balance.

Discussion

In December 2005, the Company added rate schedule 328 for Firm Sales yet did not include the cost recovery for this new rate schedule in its ACA calculations. Staff increased demand recoveries by \$10.81 and increased demand costs refunded by \$.54 to correct this error. While the dollar amount of this finding is immaterial, it is imperative that the Company record rate schedule 328 recoveries in future ACA filings.

The Company did not file a tariff with the Authority to reflect this new rate schedule which became effective in December 2005 as required in TRA Rule 1220-4-1-.04.

Company Response

Nashville Gas agrees with Audit Staff's finding on the dollar adjustments discussed above.

Nashville Gas' firm sales customers are provided service to and billed according to Rate Schedule 303 (Large General Sales Service), which is offered under a TRA-approved tariff. Occasionally the Company finds it necessary to employ other rate codes in its computerized billing system in order to appropriately bill a customer under certain circumstances. Rate schedule 328 is an example of a coding solution to overcome an internal computer system constraint related to billing. This rate code was only used for internal billing purposes and was not reflective of any new service or rate offered by the Company in December 2005 or at any other time.

Staff Response to Company Response

Based on Company responses to data requests, Staff was under the impression that Rate Schedule 328 was a new schedule. Staff agrees that a new tariff filing is not necessary.

FINDING #6:

Exception

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

Discussion

Staff recalculated interest based upon the audit findings explained above. In addition, Staff observed that the Company included "Interest Expense Booked" in its ACA calculations, rather than calculating interest on the average ending balance each month using the TRA approved interest rates.⁶ This practice by the Company contributed to the difference between the Company's reported interest expense and the Staff's calculated interest expense. The Company's unacceptable practice of booking accruals as opposed to actual amounts also contributed to the difference.

Commodity interest due to the customers was overstated by \$26,640.01 and Demand interest due from the customers was overstated by \$44,192.20. Staff made adjustments to the ACA Account to reflect these amounts.

Company Response

Nashville Gas disagrees, in part, with Audit Staff's Finding # 7 for the reasons cited in the Company's response to Finding #2. In the response to Finding #2, Nashville Gas agrees to correct an error regarding the accruals and properly account for the \$106,139.44 on its ACA schedules. Accordingly, Nashville Gas agrees to adjust the amount of interest due to customers associated with the \$106,139.44 accrual. However, this interest adjustment is less than Audit Staff's requested interest adjustment. As explained in Finding #2, Nashville Gas recognizes the complicated nature of the methodology it uses to account for actual gas costs. Nashville Gas desires to continue to work with Audit Staff to explore the differences between Audit Staff's preferred accounting methodology and the Company's current methodology, and accordingly reconcile any material errors in the Company's accounting treatment of gas costs and associated interest for calendar year 2005. In that process, the Company also desires to work with Audit Staff to reach consensus on an ACA reporting structure that simplifies the audit process for future periods while also satisfying the internal reporting needs of the Company.

Staff Response to Company Response

The PGA Rule is very specific as to the method used to calculate interest. Booking accrued interest is a practice not in keeping with this Rule. Accordingly, Staff avers that the interest amount calculated by Staff is the amount that should be adopted by the TRA in this ACA filing.

⁶ TRA Rule 1220-4-7-.03(1)(b)2.(vii).

VIII. CONCLUSIONS AND RECOMMENDATIONS

The Company failed to provide a significant number of documents necessary to support the amounts reported in the ACA filing. Staff, therefore, had to obtain this supporting documentation through phone calls, emails, and written requests. Staff acknowledges that the Company was most cooperative in providing the supporting information requested. **Staff recommends that the Company include support documents for all amounts reflected on the ACA analysis schedule with its initial filing.**

The Company's ACA beginning balance did not reflect prior audit findings.⁷ **Staff recommends that in all future ACA filings the Company's reported beginning balance should be the prior years audited ACA ending balance. Additionally, Staff recommends that in all future ACA filings the Company should report any prior WNA audit findings as a separate line item adjustment to the prior years audited ACA ending balance.**

The Company's methodology of reporting accrued estimated gas costs, cash outs, deferred gas costs, and banked gas costs for the current month, followed by reversals and booking of actuals in the subsequent month is unacceptable to Staff.⁸ The foregoing methodology may be the result of requirements in the North Carolina and South Carolina jurisdictions. Additionally, the Company indicated that if actual costs were not available prior to 8th working day of the following month that estimates were posted. **Staff recommends that the accrual methodology the Company used in the ACA filing be rejected and the Company directed to report actual amounts in the month incurred.**⁹

Staff does not require the detailed breakdown filed by the Company in the monthly "Cost of Gas" schedules as it unduly complicates the ACA audit with no added value. **Staff recommends that the TRA direct the Company and Staff to meet and discuss options for simplifying future ACA filings.**

The Company did not calculate interest associated with the ACA Account in the proper manner.¹⁰ **Staff recommends that the Company be directed to calculate interest on the average ending balance as computed on the ACA schedule each month using the TRA approved interest rates in all future filings as required by TRA Rule 1220-4-7-.03(1)(b)2.(vii).**

⁷ See Finding #1.

⁸ See Finding #2.

⁹ The Company is free to book transactions to its general ledger as it deems appropriate according to the Uniform System of Accounts (USOA). Staff is not responsible for the Company's general ledger and is therefore unconcerned with reconciliation of the general ledger to the audited ACA balance. Staff's charge relating to ACA audits is to determine if the Company's ACA filing is accurate. ACA filings are typically received by the Authority several months subsequent to the end of the current ACA period and must reflect actual monthly transactions in the period in which they occur.

¹⁰ See Finding #6.

Staff acknowledges and greatly appreciates the assistance of Company personnel during the audit.

APPENDIX A

PGA FORMULA¹¹

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

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

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

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.

ST = Total Sales.

¹¹ Pursuant to Docket 03-00209, the PGA Formula has been amended to include the gas cost portion of uncollectible accounts.

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

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

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

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.