

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 5, 2015

IN RE:)	
)	
COUNCE NATURAL GAS COMPANY'S ACTUAL COST)	DOCKET NO.
ADJUSTMENT ACCOUNT FILING FOR THE PERIOD)	14-00157
OCTOBER 1, 2013 THROUGH SEPTEMBER 30, 2014)	

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

This matter came before Chairman Herbert H. Hilliard, Director Robin Bennett and Director James M. Allison, of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on April 20, 2015 to consider the report of the Authority's Utilities Division (the "Staff") resulting from the Staff's audit of Counce Natural Gas Company's ("Counce" or the "Company") annual deferred gas cost account filing for the year ended September 30, 2014. The Actual Cost Adjustment ("ACA") Compliance Audit Report (the "Report") is attached hereto as Exhibit 1 and incorporated by this reference.

The Company's ACA filing was filed on December 15, 2014. The Staff completed its audit of the Company's filing on March 15, 2015, and filed its Report on March 31, 2015. The Report contained six findings, which resulted in an over-collection by Counce of \$23,245.24. The Staff recommended that the over-collection be refunded at a rate of \$1.5633 per MCF, and that the Company be directed to file as soon as possible a Purchased Gas Adjustment ("PGA") tariff to implement its new rate and to continue billing the new ACA rate until the completion of the Staff's next audit. Counce concurred with the findings and recommendations.

At the regularly scheduled Authority Conference held on April 20, 2015, the voting panel unanimously approved and adopted the Report, and directed the Company to begin refunding the \$23,245.24 in over-collected gas costs to customers concurrent with the Company's May 2015 billing.¹ Additionally, the Authority directed Counce: 1) to file a PGA tariff showing the approved refund rate of \$1.5633 per MCF effective with its May 2015 customer billing; 2) to file its billing rates for the period with Authority Staff prior to billing its customers; 3) to send a summary of its ACA Account electronically to the Staff on a quarterly basis for review; and 4) to use the negative \$23,245.24 Staff-corrected ACA Account ending balance at September 30, 2014, as the beginning balance in the next ACA Account filing.

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Compliance Audit Report relative to Counce Natural Gas Company's gas costs for the year ended September 30, 2014, a copy of which is attached to this Order as Exhibit 1, is approved and adopted, and the conclusions and recommendations contained therein are incorporated in this Order as if fully rewritten herein.

2. Counce Natural Gas Company is directed to refund the over-collected gas costs in the amount of \$23,245.24 beginning with its May 2015 customer billing.

3. Counce Natural Gas Company is directed to file a PGA tariff with the Authority indicating the approved refund rate of \$1.5633 per MCF, effective with its May 2015 customer billing.

4. Counce Natural Gas Company is directed to file its billing rates for the period with Authority Staff prior to billing its customers.

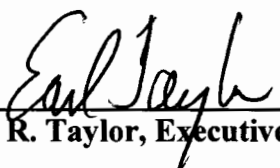
¹ Director Allison noted for the record his disappointment in the number of irregularities in the billings, bookkeeping and filings by the Company, and, particularly, in the item billing on rates that were not approved in the Company's tariff.

5. Counce Natural Gas Company is directed to send a summary of its Actual Cost Adjustment Account electronically to Authority Staff on a quarterly basis for review.

6. Counce Natural Gas Company is directed to use the negative \$23,245.24 Staff-corrected Actual Cost Adjustment Account ending balance at September 30, 2014, as the beginning balance in the next annual Actual Cost Adjustment Account filing.

Chairman Herbert H. Hilliard, Director Robin Bennett and Director James M. Allison concur.

ATTEST:



Earl R. Taylor, Executive Director

EXHIBIT 1

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

March 31, 2015

IN RE:)
)
COUNCE NATURAL GAS COMPANY) **Docket No. 14-00157**
ACTUAL COST ADJUSTMENT (ACA) AUDIT)

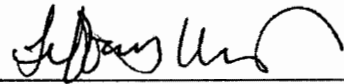
**NOTICE OF FILING BY THE UTILITIES DIVISION OF THE TENNESSEE
REGULATORY AUTHORITY**

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 (“ACA”) Component of the Purchased Gas Adjustment Rule (“PGA Rule”) for Counce Natural Gas Company (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 October 1, 2013 through September 30, 2014.
2. The Company’s ACA filing was received on December 15, 2014, and the Compliance Audit Staff (“Staff”) completed its audit of same on March 15, 2015.
3. On March 16, 2015, the Utilities Division submitted its preliminary ACA audit findings to the Company via e-mail. The Company responded on March 23, 2015 via e-mail and this response has been incorporated into the final report.

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

Respectfully Submitted:

A handwritten signature in black ink, appearing to read 'Tiffany Underwood', is written over a horizontal line.

Tiffany Underwood, Utility Consultant
Utilities Division
Tennessee Regulatory Authority

CERTIFICATE OF SERVICE

I hereby certify that on this 31st day of March 2015, 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:

Herbert Hilliard
Chairman
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Mr. Mike Horton, President
Counce Natural Gas Company
P.O. Box 385
Burnsville, MS 38833

Mr. Vance L. Broemel
Office of the Attorney General
Consumer Advocate and Protection Division
P. O. Box 20207
Nashville, TN 37202


Tiffany Underwood

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

COUNCE NATURAL GAS COMPANY

ACTUAL COST ADJUSTMENT

Docket No. 14-00157

PREPARED BY THE

TENNESSEE REGULATORY AUTHORITY

UTILITIES DIVISION

March 2015

COUNCE NATURAL GAS COMPANY

**COMPLIANCE AUDIT REPORT OF
ACTUAL COST ADJUSTMENT FILING**

DOCKET NO. 14-00157

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I. INTRODUCTION

The subject of this audit is Counce Natural Gas Company's ("Company" or "Counce") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule¹ ("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")², for the twelve (12) months ended September 30, 2014, were calculated correctly and were supported by appropriate source documentation.

II. AUDIT OPINION

Audit Staff ("Staff") reviewed the Company's ACA filing and the underlying documentation supporting its calculation of the ending balance of the ACA account. The audit resulted in six (6) findings, described in Section VIII, which taken as a whole represent a material departure from acceptable billing and reporting practices. For this reason, Staff cannot provide assurance that Counce is correctly implementing the Gas Charge Adjustment, the Refund Adjustment, and the Actual Cost Adjustment in accordance with the Purchased Gas Adjustment Rules for TRA regulated gas companies.

To correct these deficiencies going forward, Staff provides its recommendations to the Company in Section IX, Conclusions and Recommendations.

III. SUMMARY OF COMPANY FILING

On December 15, 2014, Staff received Counce's ACA filing supporting the activity in its deferred gas cost account ("ACA Account") for the period October 1, 2013 through September 30, 2014. For the period under audit, the Company's ACA filing showed a negative beginning balance of \$6,202.62 in under-recovered gas costs from the prior ACA period, \$75,633.56 in total gas costs for the current period, \$74,829.00³ recovered from customers through rates and \$283.89 in interest due from customers, resulting in a reported ACA balance at September 30, 2014 of \$5,114.17 in over-recovered gas costs.

¹ TRA Rule 1220-4-7.

² The ACA is more fully described in Section VI.

³ This amount includes PGA adjustment recoveries and ACA adjustment recoveries.

**COUNCE NATURAL GAS COMPANY
ACA FILING OCTOBER 2013 TO SEPTEMBER 2014:⁴**

<u>Line No.</u>		Company (as filed)
1	Beginning Balance at 10/01/13	\$ (6,202.62)
2	<u>Activity During Current Period:</u>	
3	Plus Gas Costs	75,633.56
4	Minus ACA Recoveries	493.92
5	Minus PGA Recoveries	<u>74,335.07</u>
6	Ending Balance before Interest (line 1 + line 3 – line 4 – line 5)	(5,398.06)
7	Plus Interest	<u>283.89</u>
8	Ending Balance Including Interest at 09/30/14 (line 6 + line 7)	<u>(\$5,114.17)</u>

IV. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Counce Natural Gas Company, with its headquarters in Burnsville, MS, is a wholly owned subsidiary of Tumlinson Engineering, Inc., and was formed in 1995 for the purpose of acquiring the operating authority of Hardin County Gas Company and providing natural gas service to customers in Hardin County, Tennessee. Hardin County Gas Company's certificate of convenience and necessity ("CCN") was transferred to Counce on December 22, 1995, in Docket No. 95-03379. In October 2000, ownership of Tumlinson Engineering, Inc. was transferred from Ted Tumlinson to Mike Horton.

The natural gas used to serve this area is purchased from Horton Enterprises, Inc (an affiliate), which is owned by Mike Horton. Horton Enterprises, Inc operates as a resaler of gas from Atmos Energy Marketing.

⁴ A negative number represents an over-recovery (or over-collection) of gas costs; a positive number represents an under-recovery (or under-collection) of gas costs.

V. JURISDICTION OF THE TENNESSEE REGULATORY AUTHORITY

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

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 of the TRA is responsible for auditing energy, water and communications utilities under its jurisdiction to ensure that each company is abiding by Tennessee statute as well as the Rules and Regulations of the Authority. Tiffany Underwood of the Utilities Division conducted this audit.

VI. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE

The PGA Rule is located at 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) and related interest 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. The RA (refunds) surcharges the "true-up" along with other supplier refunds. For a

more complete definition of the GCA and RA, refer to the PGA Formula attached as Appendix A to this report.

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].

VII. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of Counce's deferred gas cost account ("ACA Account"). The objective of the audit is to verify that the Company's calculations of gas costs incurred and recovered were materially correct,⁵ and that the Company is following all Authority orders and directives with respect to its calculation of the ACA Account balance. Refer to the ACA Account detail provided in Section III, Counce ACA filing October 2013 to September 2014.

To accomplish the audit goal, Staff reviewed gas supply invoices, copies of the Company's canceled checks, as well as supplemental schedules and other source documentation provided by the Company. Where appropriate, Staff requested additional information to clarify the filing. Staff also audited a sample of customer bills to determine if the proper tariff rates, as well as PGA and ACA rates were applied in the Company's calculation of customer bills during the audit period. After sampling Company bills, Staff determined that, except for the findings in Section VIII, the Company's billing rates appear to be correct.

⁵ 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.

VIII. ACA FINDINGS

Staff's audit findings totaled a **net over-recovery of \$18,131.07**. This amount is the net total of six (6) findings and represents an additional over-recovered amount. The findings, when added to the Company's calculated balance, results in a net ending balance in the ACA account of a **negative \$23,245.24 in over-recovered gas costs**. A summary of the ACA account as filed by the Company and as adjusted by the Staff is shown below, followed by a description of the findings.

SUMMARY OF THE ACA ACCOUNT: **

Line No.		Company (as filed)	Staff (as adjusted)	Difference (Findings)
1	Beginning Balance at 9/30/13	(\$6,202.62)	(\$6,436.52)	(\$233.90)
2	<u>Activity During Current Period:</u>			
	Plus:			
3	Gas Costs	75,633.56	75,633.56	0
	Minus:			
4	ACA Recoveries	493.93	(323.61)	(817.54)
5	PGA Recoveries	<u>74,335.07</u>	<u>92,207.13</u>	<u>17,872.06</u>
6	Ending Balance before Interest (line 1 + line 3 – line 4 – line 5)	(5,398.06)	(22,686.48)	(17,288.42)
	Plus:			
7	Interest	<u>283.89</u>	<u>(558.76)</u>	<u>(842.65)</u>
8	Ending Balance Including Interest at 09/30/14 (line 6 + line 7)	<u>(\$5,114.17)</u>	<u>(\$23,245.24)</u>	<u>(\$18,131.07)</u>

**A number in () is a negative or credit balance which represents an over-collection of gas costs.

SUMMARY OF FINDINGS:

FINDING #1	Beginning Balance	\$ (233.90)	Over-collection
FINDING #2	ACA Recoveries	817.54	Under-collection
FINDING #3	PGA Recoveries	(17,872.06)	Over-collection
FINDING #4	Interest	(842.65)	Over-collection
FINDING #5	Billing Errors	No \$\$ Effect	
FINDING #6	Formula Error	<u>No \$\$ Effect</u>	
	Net Result	<u>\$ (18,131.07)</u>	Over-collection

FINDING #1:

Exception

The Company used an incorrect Beginning Balance in the current 2013-2014 ACA Filing.

Discussion

ACA Filings must use the TRA approved Staff audited Ending Balance from the prior year's filing as the Beginning Balance in the current year. By using the audited balance, all prior year's audit findings are automatically corrected going forward. In Docket No. 13-00142 for Counce's plan year ending September 30, 2013, Staff's Ending Balance adjusted for three (3) audit findings was negative \$6,436.52 in over-recovered gas costs. In the current filing, Counce used its un-audited Ending Balance from the prior year of negative \$6,202.62 as the Beginning Balance. Staff adjusted the Beginning Balance to correct the error. The effect of this adjustment is an **increase in the Company's reported over-recovered ACA Account Balance of \$233.90.**

Company Response

We agree with the findings.

FINDING #2:

Exception

The Company overstated its ACA recoveries.

Discussion

The ACA recoveries are calculated by multiplying the monthly sales volumes by the ACA rates actually billed by the Company. In calculating its ACA recoveries, the Company billed \$0.00 per MCF but reported \$0.51 per MCF ACA rate for November 2013. This resulted in the Company overstating the ACA recoveries by \$817.54 in its calculation of the ending balance in its ACA account.

The above error represents a **\$817.54 under-collection** of gas costs.

Company Response

We agree with the findings.

FINDING #3:**Exception**

The Company understated its PGA Recoveries.

Discussion

The PGA (or gas cost) recoveries are calculated by multiplying the monthly sales volumes by the PGA rates actually billed by the Company. From October 2013 to September 2014, the Company billed the PGA rates listed, but reported different rates in its filing (as shown in the table below). This resulted in the Company understating the Gas Cost Recoveries by \$17,872.06.

<u>Month</u>	<u>Billed PGA Rate</u>	<u>Reported PGA Rate</u>
Oct-13	\$5.57	\$4.37
Nov-13	5.57	4.33
Dec-13	5.57	4.33
Jan-14	6.19	4.94
Feb-14	7.39	6.13
Mar-14	6.67	5.40
Apr-14	6.39	5.12
May-14	6.61	5.34
Jun-14	5.57	5.15
Jul-14	5.57	4.93
Aug-14	5.57	4.31
Sep-14	5.57	4.47

This reporting error represents a **\$17,872.06 over-collection** of gas costs.

Company Response

We agree with the findings.

FINDING #4:

Exception

The Company understated the amount of interest due to customers for the review period.

Discussion

Staff recalculated interest based upon Audit Findings Nos. 1 to 3. This resulted in an **increase of reported interest due to customers of \$842.65, which represents an over-collection of gas costs.**

Company Response

We agree with the findings.

FINDING #5:

Exception

The Company billed customers rates that are not supported by its tariff.

Discussion

As shown in the table below, the Company billed its customers unapproved PGA rates for five (5) months during the ACA period.

<u>Month</u>	<u>Billed PGA Rate</u>	<u>Approved PGA Rate</u>
Jan-14	6.19	5.57
Feb-14	7.39	5.57
Mar-14	6.67	5.57
Apr-14	6.39	5.57
May-14	6.61	5.57

The Company also billed its customers unapproved ACA Rates for seven (7) months during the ACA period.

<u>Month</u>	<u>Billed ACA Rate</u>	<u>Approved ACA Rate</u>
Nov-13	0.00	0.51
Dec-13	0.00	0.51
Jan-14	0.00	0.51
Feb-14	0.00	0.51
Mar-14	0.00	0.51
Apr-14	0.00	0.51
May-14	0.00	(0.42)

Although Counce billed incorrect rates instead of the TRA approved tariff rates for the months indicated, the calculation of the Ending Balance in the Actual Cost Adjustment Account is based on gas costs *actually paid* versus gas costs *actually recovered*. Staff must verify the Company's calculation of the Ending Balance using the actual rates billed as verified in the sample bill audit.

While discovery of incorrect billing rates does not result in a monetary adjustment to the ACA Account, it does represent a serious finding, which Counce is admonished to correct going forward. Using rates not approved by the TRA is a violation of its tariff. While the Company may try to monitor or adjust its monthly balance in the ACA Account by changing the billing rates, this method is not approved by the TRA. ACA rates are established as a result of an annual audit by Staff, after approval of the audit report by the Directors of the TRA. The PGA rates may be changed only upon a tariff filing that complies with TRA Rules.

Company Response

We agree with the findings.

FINDING #6:**Exception**

The Company over-rode a formula in the ACA filing spreadsheet by entering a hard number.

Discussion

On December 15, 2014, the Company submitted its report of the monthly transactions in the ACA account. The filing includes a schedule (spreadsheet) that calculates the monthly over or under-recoveries and the amount of interest due to or from customers. The spreadsheet submitted showed an Ending Balance of \$12,596.75 in under-collected gas costs. The spreadsheet also includes an audit check summary. This summary showed that the Company had over- collected \$5,114.16.

Obviously, there should not be a difference between the spreadsheet ending balance and the audit check summary ending balance. Staff investigated the \$17,710.91 difference and discovered that in December 2013, the Company accidentally hard keyed its Invoiced Gas Costs into the beginning balance column thereby over-riding the formula that brought forward the prior month ending balance inclusive of interest. This created a fictitious beginning balance for December 2013. Based on the Company's reported invoiced gas costs, PGA recoveries, ACA recoveries and calculated interest, its true balance would have been an over collection of \$5,114.16. This finding is a nonmonetary formula error.

Company Response

We agree with the findings.

IX. CONCLUSIONS AND RECOMMENDATIONS

The corrected balance in the ACA account as of September 30, 2014 is **\$23,245.24 in over-recovered (over-collected) gas costs.**⁶ This balance will be used as the beginning balance for the October 2014 – September 2015 ACA filing. Spreading the negative \$23,245.24 balance over the 12 month-to-date September 2014 sales of 14,869 MCF produces an **ACA adjustment factor**⁷ of **negative \$1.5633 (refund) per MCF.**⁸

During the audit, Staff found that Counce had billed incorrect PGA and ACA rates, instead of the TRA approved tariff rates. While the discovery of these incorrect billing rates does not result in a monetary adjustment to the ACA account, it is a violation of the Company's tariff. The incorrect PGA and ACA billing errors are corrected as part of the true up process with the calculation of a new ACA rate; however, in this case the result is a material change in the rate from a \$0.4204 refund to a \$1.5633 refund.

During the audit, Staff also found numerous reporting errors. Reporting errors are differences between the rates reported in the ACA account and the rates actually billed by the Company to its customers. There should never be a difference between the rates reported and the rates billed. Therefore, ideally, there should never be a finding related to reporting errors.

Recommendations

To help ensure that Counce bills and reports the correct rates and complies with its tariff on a going-forward basis, Staff makes and requests approval by the TRA of the following recommendations:

1. Counce is directed to file as soon as possible a PGA tariff to implement its new ACA rate and to continue billing this ACA rate until the completion of Staff's next audit;
2. Counce is directed to file its billing rates for the period with Staff prior to billing its customers;
3. Counce is directed to send its ACA summary electronically to Staff on a quarterly basis for review;⁹ and
4. Counce is directed to use the **negative \$23,245.24** corrected ACA ending balance at September 30, 2014 as the beginning balance in the next ACA filing.

The intent of these recommendations is to assist Counce, by ensuring that the Company bills the TRA approved rates and correctly reports these rates in its ACA Account. The recommendations will also provide a mechanism to monitor the ACA balance. Monitoring the ACA balance quarterly will help both the Company and Staff to be timely aware of when the balance becomes

⁶ Staff's calculation of this balance is shown in Section VIII, ACA Findings.

⁷ Small gas companies, such as Counce, do not automatically surcharge or refund the balance in the ACA account until the Staff's audit is complete and the surcharge or refund factor is determined by the TRA.

⁸ See Attachment 1 for detail of the calculation of the ACA factor.

⁹ This review will not be a part of the annual audit process.

significantly over or under recovered and an interim tariff filing to adjust the PGA rate may be necessary.

APPENDIX A

PGA FORMULA

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.

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.

ATTACHMENT 1

Counce Natural Gas Company

Calculation of the ACA Factor

Line No.	Factor to be applied to residential, commercial and industrial customers:		
1	Cost of Gas purchased (10/1/13 - 9/30/14)	\$ 75,633.56	
2	Cost of Gas recovered from customers through PGA rates	<u>92,207.13</u>	
3	Under/(Over) Collection (Line 1 - Line 2)	\$ (16,573.57)	
4	ACA surcharges/(refunds) (10/1/13 - 9/30/14)	(323.61)	
5	Interest calculated on average monthly balance in account	(558.76)	
6	Beginning balance at 9/30/13	<u>(6,436.52)</u>	
7	Balance in ACA account at 9/30/14 (Line 3 - Line 4 + Line 5 + Line 6)	\$ <u>(23,245.24)</u>	
8	Sales Volumes **	14,869	MCF
9	ACA Factor - surcharge/(refund) (Line 7 divided by Line 8)	\$ <u>(1.5633)</u>	Per MCF

** Historical sales volumes for 12 months ending 9/30/2014.