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OFFICE OF THE
EXECUTIVE SECRETARY

May 25, 2001

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: Show Cause Proceeding Against Gasco Distribution Systems
Docket No. 97-00293 and 97-00160

Dear David:

Please find enclosed the original and thirteen copies of the Response of Gasco Distribution to the TRA's show cause Order issued May 14, 2001 against Gasco Distribution Systems. Copies have been forwarded to parties.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By:
Henry Walker

HW/nl
Enclosure
c: Gary Hotvedt, Esq.
Tim Phillips, Esq.

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: SHOW CAUSE PROCEEDING AGAINST GASCO DISTRIBUTION SYSTEMS, INC.	))))	DOCKET NO. 97-00293 and 97-00160

RESPONSE OF GASCO TO SHOW CAUSE ORDER

As requested by the Hearing Officer, Gasco Distribution Systems ("Gasco") submits the following response to the show cause Order issued by the Tennessee Regulatory Authority ("TRA" or "Authority") on May 14, 2001.

The Show Cause Order states, in relevant part, "Gasco is ordered to show cause why the Authority should not impose penalties against it for failure to comply with the Authority's November 24, 1999 Order in Authority Docket No. 99-00647." Although the body of the Order discusses several issues raised by the Staff's recent audit of Gasco, the Order states no basis for the show cause proceeding other than, as described above, the "failure to comply" with the Authority's final Order in Docket No. 99-00647.

The final Order in that docket, issued November 24, 1999, is entitled "Order Adopting ACA Audit Report of Authority's Staff." (A copy of the order is attached.) The Order does not direct Gasco to take, or refrain from taking, any action. In relevant part, it states merely that the staff's "ACA Audit Report [for the period July 1, 1998 through June 30, 1999] . . . is approved and adopted, including the findings and recommendations contained therein."

Similarly, the ACA Audit Report referenced in the Order does not direct Gasco to take, or refrain from taking, any action. The Report does contain four "Findings," described on pages 5-9. Each of those Findings relates to some deficiency in the company's ACA filing during the

1998-1999 audit period. For example, Finding 2 states that, because of an "accounting software conversion," the company failed to apply the correct ACA refund factor to customer bills for three months during the audit period. Described as a "computer software error," this mistake resulted in an over-recovery of gas costs of $4,377.21.

The Report also contains "Conclusion and Recommendations" in which the Staff noted that it was "concerned" that the amount of over-recovery from customers had "increased substantially" during the audit period. The "largest contributing factor" to that increase was that the company inexplicably sold approximately 3,000 MCFs more than it purchase during the audit period. The Staff "recommended that Company management look into this area." The Report notes that the second largest contributing factor was the company's failure to apply the correct ACA adjustment factor during three months of the year. The Report states, "The Company has remedied this situation." Finally, the Report calculates a new, higher ACA adjustment factor which, the Staff assumed, the company would begin using in November, 1999 and continue using "until the next audit period." But since the Report is only concerned with events occurring during the 1998-1999 audit period, the Report does not explicitly order Gasco to begin using the new adjustment factor or to take any other action during the 1999-2000 period. In fact, the only action the company is specifically requested to take is the "recommendation" that management investigate the imbalance between sales and purchases. The company did that.

The next year's Audit Report [covering the 1999-2000 period] noted that Gasco did not adjust the ACA factor in November, 1999, "due to a clerical error on the part of the company." This resulted in an over-collection during the audit period of $11,317.93. According to the Report, the company explained (1) that it had lately revised its internal operating procedures to insure that the correct ACA factor would be applied in the future and (2) that, because of the recent increase in gas prices, the company's "over-recovery" had disappeared and had been replaced with a substantial under-recovery of gas costs. Although the Report is critical of Gasco's failure to adjust the ACA factor in November, 1999, the Report does not allege that Gasco violated any directive contained in the previous year's Order. The Report merely notes that Gasco was "advised" of the correct figure and failed to incorporate that figure into Gasco's bills in a timely fashion. While it remains to be seen whether Gasco's "clerical error" might constitute a violation of some other order or rule and whether such violation is even a proper basis for a show cause Order, it is clear that Gasco's failure to adjust the ACA factor does not constitute a violation of the 1999 Order or the 1998-1999 Audit Report.

In sum, there is nothing in the Staff's 1998-1999 Audit Report --- and nothing in the TRA's 1999 Order adopting that audit --- which specifically orders Gasco to do anything. The Report is merely an audit of the 1998-1999 period and contains various findings and conclusions concerning that period. Gasco agreed with those findings and implemented the sole recommendation. The Report does not, however, contain any instructions concerning Gasco's future conduct. Therefore, there is no basis for the Authority to issue a show cause order for "failure to comply" with the Authority's November 24, 1999 Order. Gasco cannot properly be penalized for "failing to comply" with a TRA Order which contains no mandatory directives and only one hortatory "recommendation" which is unrelated to the current dispute.

Since there are no other allegations upon which the show cause Order is based, Gasco submits that this proceeding has no basis and must be dismissed.

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: ______________________________

Henry Walker (No. 00272)
414 Union Street, Suite 1600
P.O. Box 198062
Nashville, Tennessee 37219
(615) 252-2363

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

November 24, 1999

IN RE:	)	
	)	
GASCO DISTRIBUTION SYSTEMS ACTUAL COST ADJUSTMENT (ACA) AUDIT	)	**DOCKET NO. 99-00647**
	)	
	)	

ORDER ADOPTING ACA AUDIT REPORT OF AUTHORITY'S STAFF

This matter came before the Tennessee Regulatory Authority (the "Authority") at a regularly scheduled Authority Conference held on November 2, 1999, for the consideration of the report of the Authority's Energy and Water Division (the "Staff") resulting from the Staff's audit of Gasco Distribution Systems' ("Gasco" or the "Company") annual deferred gas cost account filing for the twelve (12) month period ending June 30, 1999. The Actual Cost Adjustment Audit Report (the "Report" or "ACA"), attached hereto as Exhibit A, 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. As stated in the Report, the Company agreed with each of the Staff's findings. The Company's initial filing indicated an over-collection of gas costs in the amount of $2,505. The Staff's audit findings resulted in an additional over-collection of $5,260. Therefore, the correct ACA balance at Gasco is an over-collection of $26,428.[1]

---

[1] The amount of $26,428 includes the over-collection balance of $18,663 forwarded from the June 1998 ACA audit results.

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

IT IS THEREFORE ORDERED THAT:

1. The ACA Audit Report, a copy of which is attached to this order as Exhibit A, is approved and adopted, including the findings and recommendations contained therein.

2. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from the date of this Order.

Melvin J. Malone, Chairman

H. Lynn Greer, Jr., Director

Sara Kyle, Director

ATTEST:

K. David Waddell, Executive Secretary

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EXECUTIVE SECRETARY

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 21, 1999

IN RE:	)
	)
GASCO DISTRIBUTION SYSTEMS, INC.	) **Docket No. 99-00647**
ACTUAL COST ADJUSTMENT (ACA) AUDIT	)

NOTICE OF FILING BY ENERGY AND WATER DIVISION OF THE TENNESSEE REGULATORY AUTHORITY

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, Energy and Water Division of the Tennessee Regulatory Authority gives notice of its filing of the Gasco Distribution Systems, Inc.'s ACA Audit Report 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 Gasco Distribution Systems, Inc. (the "Company").

2. The Company's ACA filing was received on September 2, 1999, and the Staff completed its audit of same on October 19, 1999.

3. On October 20, 1999, the Energy and Water Division issued its preliminary ACA audit findings to the Company, and on October 20, 1999, 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 therefrom. The Report is

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

5. The Energy and Water 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:

Butch Phillips

Butch Phillips
Energy and Water Division of the
Tennessee Regulatory Authority

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of October 20, 1999, 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:

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Mr. Fred Steele
President and Chief Executive Officer
Gasco Distribution Systems, Inc.
4435 East Pike
Zanesville, OH 43701

Mr. Gordon Brothers
Treasurer and Chief Financial Officer
Gasco Distribution Systems, Inc.
4435 East Pike
Zanesville, OH 43701

Butch Phillips
Butch Phillips

COMPLIANCE AUDIT REPORT

OF

GASCO DISTRIBUTIONS SYSTEMS, INC.

ACTUAL COST ADJUSTMENT

PREPARED BY

TENNESSEE REGULATORY AUTHORITY

ENERGY AND WATER DIVISION

OCTOBER, 1999

EXHIBIT

A

COMPLIANCE AUDIT

GASCO DISTRIBUTIONS SYSTEMS, INC.

ACTUAL COST ADJUSTMENT

TABLE OF CONTENTS

I. JURISDICTION AND POWER OF THE TENNESSEE REGULATORY AUTHORITY

Tennessee Code Annotated (T.C.A.) §65-4-104 gave jurisdiction and control over public utilities to the Tennessee Public Service Commission. By virtue of Chapter 305 of the Public Acts of 1995, jurisdiction and control over public utilities was transferred from the Tennessee Public Service Commission to the Tennessee Regulatory Authority (the "TRA" or "Authority") on July 01, 1996. T.C.A. §65-4-104 states that:

> The Authority shall have general supervision and regulation of, jurisdiction, and control over, all public utilities...

T.C.A states further in §65-4-111 that the public utilities are to maintain a Uniform System of Accounts:

> The Authority shall have the power after hearing, upon notice, by order in writing to require every public utility... to keep its books, records, and accounts so as to afford an intelligent understanding of the conduct of its business, and to that end to require every public utility of the same class to adopt a uniform system of accounting. Such system shall conform, where applicable to any system adopted or approved by the Interstate Commerce Commission of the United States. And to furnish annually, or at other times as the Authority may require, a detailed report of finances and operations as shown by said system of accounts.

The TRA responded to T.C.A. §65-4-111 by establishing its own rule 1220-4-1-1.11 regarding the uniform system of accounts which public utilities should maintain. The TRA's rule provides:

> The following uniform system of accounting will be followed by utilities and other companies making periodic reports to the Authority:
>
> 1. For Classes A and B gas companies - Uniform System of Accounts as adopted by the National Association of Regulatory Utility Commissioners as revised June 30, 1972, and any amendments or revisions pertaining thereto.

The TRA received its authority to examine the books and records of public utilities from T.C.A. §65-4-105 which states that the TRA would possess all the other powers conferred on the TRA. T.C.A. §65-3-108 gives the TRA:

full power to examine the books and papers of the said companies, and to examine, under oath, the officers, agents, and employees of said companies...to procure the necessary information to intelligently and justly discharge their duties and carry out the provisions of this chapter and chapter 5 of this title.

II. PURPOSE OF COMPLIANCE AUDITS

The two basic reasons for compliance audits are to assure compliance with the Uniform System of Accounts (USOA) and to assure that the utility is following all rules, regulations and directives adopted by the TRA.

Compliance audits provide the foundation of assurance underlying the basic objective of regulatory accounting, which is to provide a uniform method of recording transactions among similar companies. This uniform record keeping is accomplished through the adoption of the USOA and insures the integrity, reliability, and comparability of the financial data contained in financial reports filed with the TRA, which provides the TRA with one of its most useful regulatory tools for establishing just and reasonable rates.

III. DESCRIPTION OF PURCHASED GAS ADJUSTMENT (PGA) RULE

The Tennessee Regulatory Authority issued an Order in Docket No. G-86-1, which adopted a new PGA rule beginning July 1, 1992. The PGA Rider is intended to permit the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that the Company does not over-collect or under-collect gas costs from its customers. This 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 the customer 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.

IV. AUDIT TEAM

The TRA's Energy and Water Division is responsible for conducting ACA audits. The audit was conducted by Pat Murphy and Butch Phillips of the Energy and Water Division.

V. OBJECTIVE AND SCOPE OF AUDIT

The order for Docket G-86-1 required that the Company

> each year...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 this Rule...

The objective of this audit was to determine that Purchased Gas Adjustments, which are encompassed by the ACA and were described earlier, approved by the TRA during the period from July 1, 1998, to June 30, 1999, had been calculated correctly and were supported by appropriate source documentation. To accomplish this task, the Staff conducted in-house audit work, during which the Company's calculations of gas costs incurred and gas costs recovered were tested

The Staff also audited a sample of customer bills to determine if the proper PGA rates were being applied in the Company's calculation of the customers' bills. These bills were selected to be representative of the residential, commercial and industrial customers in each of the Company's service areas. The sample was selected from all twelve months of the audit period. After recalculating each sample bill, the Staff discovered that the ACA factor was not applied to customer bills from November 1998 through January 1999. This fact is detailed in Staff Finding #2 on page 7 of this report..

The Staff's last ACA audit of Gasco Distribution Systems, Inc. was conducted in 1998 covering the period from July 1, 1997 to June 30, 1998.

VI. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Gasco Distribution Systems, Inc. (Company), with its office located in Jellico, Tennessee, is a subsidiary of The Titan Energy Group, Inc., which has its headquarters at 4435 East Pike, Zanesville, Ohio. The Company is a gas distributor which provides service to the City of Jellico, located in northeast Tennessee in Campbell county. It has approximately 381 customers and an annual sales volume of approximately 45,000 MCF. In addition to Tennessee, Gasco Distributions Systems also operates in Kentucky, Ohio, Pennsylvania, and West Virginia.

The natural gas used to serve this area is provided by GASCO, Inc. (the fuel manager), through long-term contracts with nonaffiliated third parties that deliver gas to the city gate.

VII. ACA FINDINGS

The Company began refunding in April, 1997 the over-collection of $31,595.36 found in a previous audit. In Docket Nos. 97-00160 and 97-00293 the TRA ordered that this over-collection be refunded over a three-year period. As of June 30, 1999, the Company has refunded $20,607.74.

An ACA filing was submitted by the Company on September 2, 1999, covering the period July 1, 1998, to June 30, 1999. This filing reflected an over-collection of gas costs from Tennessee customers for the period of $2,504.55. The Staff's audit results showed an additional over-collection in the ACA account of $5,259.82. A list of the exceptions noted is summarized below.

SUMMARY:

FINDING #1	Sales Volumes	$ 617.22	overrecovery
FINDING #2	ACA factor application	265.38	overrecovery
FINDING #3	Interest on Account Balance	4,377.21	overrecovery
FINDING #4	Interest from recording errors	201.41	overrecovery
	Net Result	**$5,259.82**	**overrecovery**

FINDING #1:

Exception

The Company incorrectly stated sales volumes for the months of February and March, 1999 by 27 and 120 Mcf, respectively.

Discussion

For the months of February 1999, the Company included in its filing, sales volumes in the amount of 5,661.8 Mcf. The actual amount was 5,688.8 Mcf. The difference resulted in an overrecovery of Gas Costs in the amount of $113.36 (27 x (4.50-.3012)).

For the month of March 1999, there was an adjustment to the sales volumes that was not recorded in the filing. The Company supplied a detailed schedule of the adjustment indicating that 120 additional Mcf were sold. The difference resulted in an overrecovery of $503.86 (120 x (4.50-.3012)).

Company Response

The Company agrees with the audit findings.

FINDING #2:

Exception

The Company did not apply an ACA refund factor for billing months November 1998 through January 1999.

Discussion

The Company did not apply an ACA refund factor in their customer bills for the months of November 1998 through January 1999. This was due to an accounting software conversion that occurred during November 1999. The ACA factor was not programmed into the billing portion and was not detected until the February billing. This computer software error resulted in a overrecovery of $4,377.21.

Company Response

The Company agrees with the audit findings.

FINDING #3:

Exception

The Company used incorrect interest rates in calculating the interest on the ACA refund.

Discussion

The Purchased Gas Adjustment Rule states that the balance in the ACA account "shall be adjusted for interest at the rate provided for the calculation of interest with respect to the Refund Adjustment". The Company used an incorrect interest rate for the months of August 1998 through March 1999 of the audit period. The Staff recalculated the Company's filing using the correct interest rate(s). The amount of additional interest due to the company's customers is $63.97.

Company Response

The Company agrees with the audit findings.

FINDING #4:

Exception

The Staff calculated an overrecovery of interest in the amount of $201.41.

Discussion

The Staff recalculated the amount of interest due to customers based upon Findings #1 and #2.

Company Response

The Company agrees with the audit findings.

VIII. CONCLUSIONS AND RECOMMENDATIONS

We reviewed the gas costs and recoveries of Gasco Distribution Systems, Inc. for the 12 month period ended June 30, 1999. Based on Findings noted, the balance in the refund due customers account as of June 30, 1999 should be a negative $26,427.23. The correct ACA adjustment factor to be applied to customer bills, beginning with the November 30, 1999 billing, is a negative $0.5915 (see Attachment 1). This factor takes into account the over-collection calculated in this audit period and will complete the three year refund ordered by the TRA in Docket Nos. 97-00160 and 97-00293. This factor will stay in effect until the Staff's next audit, at which time a new factor will be calculated. The Company's next filing will cover the period July 1, 1999 to June 30, 2000.

We are concerned that the amount of overrecovery in the refund due customers account (ACA account) has increased substantially over the 12 months of the audit period, despite the refund factor that is in place. At June 30, 1998, the overrecovery balance was $18,663. By June 30, 1999, the overrecovery balance had increased to $26,427. Upon analysis of the activity in this account, we note that the largest contibuting factor is the fact that the Company recovered $14,729 more in gas sales than they were invoiced for in gas costs. Since the cost per MCF did not change during the period, the recovery factor exactly matches the cost. What occurred (according to the sales information supplied by the Company) is that the Company sold 44,678 MCF, while purchasing only 41,467 MCF. We recommend that Company management look into this area. The second largest contributing factor was that ACA refunds were not made during part of the year (see Finding #2, page 7). This would have mitigated the overrecovery by an additional $4,377. The Company has remedied this situation. The remainder of the increase is accounted for by the interest due customers for the period of $1,537. The refund factor calculated for the next 12 month period is designed to refund the $26,427, providing sales approximately matches purchases.

In its conclusions and recommendations for the July 1, 1996 to June 30, 1997 ACA audit, the Staff reported that the Company had not complied with the filing requirements of the TRA as ordered in Docket Nos. 97-00160 and 97-00293. At its December 16, 1997 Authority Conference, the Directors reviewed the Staff's report and concluded that a hearing was necessary to determine if the Company had complied with the TRA's May 23, 1997 Order. A Show Cause Hearing was held on September 24, 1998 before Hearing Officer, Chairman Melvin Malone. The resulting October 1, 1998 TRA Order ordered that the Company "cease and desist from its pattern and practice of non-compliance with TRA Rule 1220-4-1-.10" (paragraph 1) and "remit the fines imposed herein to the Authority as stated herein" (paragraph 2).

The Staff continues to monitor the Company's compliance with the above Order and notes that the Company has met the filing requirements to date. The quarterly report for the quarter ended December 31, 1998 was due on March 1, 1999 and received March 12. The report for the quarter ended March 31, 1999 was due on May 31 and received on

June 1. The report for the quarter ended June 30, 1999 was due on August 31 and was received on September 1. The annual report which is due on April 1 of each year was received on time. However, there were errors contained in the report. On July 22, 1999, Staff requested by letter that the errors be corrected. On August 27, a second letter was sent advising the Company that if they did not reply by September 10, "the issue of your delinqency will be placed before the Directors at a regularly scheduled Authority Conference at which time we will request that a docket be opened for the purpose of issuance of show cause order be issued against your company for non-compliance." The Company then responded appropriately.

The second installment of fines levied against the Company was due July 1, 1999. The TRA received payment of $750 from the Company on June 30, 1999.

APPENDIX A

PGA FORMULA

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.
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.

Gasco Distributions Systems, Inc.

Calculation of the ACA factor

Line No.	Factor to be applied to residential, commercial and industrial customers:		
1	Cost of Gas Purchased (7/98 - 6/99)	186,322.50	
2	Cost of Gas Recovered	201,051.90	
3	Under/(Over) Recovery	(14,729.40)	
4	Interest on Average Monthly Balances	(1,537.18)	
5	ACA Refunds (7/98 - 6/99)	8,502.21	
6	Beginning Balance (6/30/98)	(18,662.86)	
7	**Balance at 6/30/99**	**(26,427.23)**	**Over Recovery**
8	Sales Volumes (Actual 12 month ended 6/30/99)	44,678	MCF
9	ACA Factor (line 7 divided by line 8)	(0.5915)	Per MCF **

** At the time of this audit, the Company has refunded approximately 30 months of the 3-year refund ordered in Dockets 97-00160 and 97-00293 (paragraph 10).