

DRAFT Proposed Industry Version

4 CSR 240-40.011 Purchased Gas Adjustment / Actual Cost Adjustment Recovery Process.

PURPOSE: This rule sets forth the definitions, structure, operations, and procedures relevant to the filing and processing of changes to reflect gas costs through an interim Purchased Gas Adjustment and the true-up Actual Cost Adjustment recovery process, for prudently incurred actual gas costs.

(1) Definitions. As used in this rule and in rule 4 CSR 240-3.242, the following terms mean as follows:

(A) Gas Corporation means every entity defined as a gas corporation in section 386.020.(18), RSMo, which is subject to commission regulation pursuant to Chapters 386 and 393, RSMo.

(B) Local Distribution Company (LDC or Company) means the regulated gas corporation defined in (A) above.

(C) Commission means the Missouri Public Service Commission (Commission).

(D) Staff means the staff of the Missouri Public Service Commission.

(E) Purchased Gas Adjustment/ Actual Cost Adjustment Recovery Process (PGA/ACA) means a two-phase-process, which in the first phase (PGA) allows LDCs to file proposed tariff changes to make periodic rate adjustments for the recovery of the LDC's estimated gas costs outside of a general rate proceeding, and which in the second phase (ACA) involves a true-up for the prudently incurred actual gas costs.

(F) Actual Cost Adjustment (ACA) means the process used for a reconciliation of estimated gas costs during the ACA Period to the prudently incurred actual gas costs for the same period. For purposes of determining the prudence of purchases or sales of gas supply or transportation capacity between an LDC and its affiliate, a two part test shall be applied.

1. First, such transactions must be conducted in compliance with the pricing standards set forth in the Commission's affiliate transactions rules so as to ensure that the price received or paid by the LDC represents a fair market price for the gas supply or transportation capacity. The "fair market price" of an affiliate transaction shall mean a price that would be agreed to by unaffiliated parties at the same or similar time(s) and location(s) as the affiliate transaction. For purchases or sales of gas supply, such fair market price may be established by, among other things, one or more of the following methods: (a) use of a competitive and transparent bidding process open to qualified gas suppliers or buyers of gas supply; (b) use of published market indices of gas supply prices applicable to the same or similar location(s) and time(s) at which the purchase or sale is made; or (c) use of documented prices offered or demanded by non-affiliated suppliers for gas supplies at the same or similar location(s) and time(s) at which the purchase or sale is made, as maintained by the LDC. For purchases or sales of transportation capacity, such fair market price shall

be established by use of the capacity release bidding process as established by the Federal Energy Regulatory Commission and administered on the electronic bulletin board operated by the applicable interstate pipeline.

2. Second, such transactions must not be otherwise imprudent because: (a) the LDC purchased quantities of gas or capacity that at the time such purchases were made were materially in excess of those quantities required to meet its peak demands, plus a reasonable margin; or (b) the LDC made such purchases off of interstate pipelines where gas supplies or capacity were unreasonably expensive at the time such purchases were made compared to other alternative sources available to the LDC and such purchases were not necessary to meet reasonable reliability and diversity of supply goals.

(G) PGA Factor means a rate expressed as either \$/Ccf, or \$/Therm to reflect the LDC's estimate of gas costs to be incurred.

(H) PGA Clause means the provision in each LDC's tariff providing information of its PGA/ACA Recovery Process.

(I) Filing Adjustment Factor (FAF) means an adjustment of up to five cents (\$0.05) per Ccf or therm, included with a PGA Filing designed to refund to, or recover from, customers gas costs that have accumulated since the last ACA filing, including the cash outlays associated with margin requirements for financial instruments acquired for future periods up to three years beyond the period covered by the same PGA filing.

(J) ACA Factor means an adjustment to customers' bills expressed as \$/Ccf, or \$/Therm to reflect the LDC's reconciliation of its estimated gas costs to its prudently incurred actual gas costs.

(K) ACA Period means the period under consideration for each PGA/ACA case, generally a one-year period.

(L) General rate proceeding means a general rate increase or decrease proceeding or complaint proceeding before the commission in which all relevant factors that may affect the costs, or rates and charges of the gas utility, other than those included in the PGA/ACA recovery process, are considered by the commission.

(M) Gas Costs means gas supply commodity charges, pipeline transportation and contract storage charges and associated taxes, financial instrument costs associated with mitigating price volatility in the Company's gas supply portfolio, or other costs recoverable in each LDC's Commission-approved PGA clause in its tariff sheets.

(N) Document or Documentation means and includes, publications in any format, workpapers, exhibits, schedules, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, charts, maps, recordings, transcriptions and printed, typed, electronic or written materials of every kind in the LDC's possession, custody, or control.

(2) The PGA Clause is effective for each LDC, upon Commission approval of the LDC's applicable tariff provisions. No PGA factor, FAF factor or ACA factor shall be billed, changed or modified unless specifically approved and ordered by this Commission, by delegation or otherwise, or allowed to go into effect by operation of law. Commission approval of the LDC's proposed PGA, FAF, or ACA factors is an interim approval and is subject to adjustment as part of the ACA review.

(3) LDC Filing Procedures for PGA Factors

(A) The LDCs may make up to four (4) PGA filings during each calendar year, a mandatory winter filing and three (3) optional PGA filings. The mandatory winter filing shall be effective between October 1, and December 5 of each year. No more than one PGA filing shall become effective in any two consecutive calendar months unless specifically ordered by the Commission.

(B) An LDC with Commission approved tariff provisions for a Filing Adjustment Factor (FAF) may include a FAF rate adjustment in the one mandatory or any of the three optional PGA filings not to exceed five cents (\$0.05) per Ccf. The FAF shall remain in effect until the next PGA Filing.

(C) The LDC shall make PGA/ACA filings at least 10 business days prior to the proposed effective dates. If Staff or the Commission requests a change to the filing due to market conditions or other reasons, this request shall not change the initial 10 business days effective date. An LDC shall not be required to provide the advance notification required by Commission Rule 4 CSR 240-4.020(2) for any mandatory or optional PGA/ACA filing made pursuant to the LDC's approved tariffs.

(D) Each LDC PGA filing shall include the information specified in 4 CSR 240-3.242.

(4) The Staff shall review the LDC's proposed PGA factor filing for conformance with 4 CSR 240-40.011, 4 CSR 240-3.242 and the LDC's tariff. For a PGA filing in conformance with 4 CSR 240-40.011, 4 CSR 240-3.242 and the LDC's tariff, the Staff shall file its recommendation with the Commission within five (5) business days of the LDC filing. If the filing is not in conformance with the requirements, Staff shall notify the LDC of the deficiency upon or prior to filing its recommendation and the Company will make modifications to the filing to conform with the requirements without changing the 10 business days period.

(5) Procedures for LDC Filing of the ACA Factor.

(A) Revised ACA factors shall be filed in the Commission's Electronic Filing and Information System by the LDC once per year and shall be filed with the PGA Factor filing to be effective between October 1, and December 5, of each year.

(B) Each LDC ACA filing shall include the information specified in 4 CSR 240-3.242.

(6) The Staff shall conduct an ACA review after the end of each ACA Period for each LDC.

(A) Staff's review may include, but is not limited to:

1. A review of the LDC's true-up of its actual gas costs;
2. A review to determine if the LDC claimed gas purchase costs are properly attributed to the ACA Period under review;
3. An examination of the LDC's review of the pipelines' and natural gas suppliers' charges or invoices for the volumes nominated and received at the proper contract rates;
4. An examination of the reliability of the LDC's gas supply, transportation, and storage capabilities;
5. An examination of the LDC's gas purchasing practices and operating decisions.

(B) Within one year of the LDC's ACA filing, Staff shall submit a draft recommendation to the LDC for its comments, if any, based on Staff's ACA review. Staff's recommendations shall include any recommended changes to the ACA balances in the form of an over-recovery or under-recovery of the ACA balances, including a complete explanation of why Staff believes such recommended changes are appropriate. Such ACA review recommendation may also include recommended changes to the LDC's processes or procedures for its PGA/ACA recovery process. The LDC shall submit any comments on the draft recommendation to the Staff within fifteen days. The Staff shall file its recommendation to the Commission within fifteen days of the receipt of any LDC comments.

(7) Within thirty days of Staff's filing of its ACA review recommendation, the LDC shall file its response to such recommendation. If there are unresolved issues, the LDC shall file direct testimony within sixty days of the date such response was filed, the Staff and other parties shall file rebuttal testimony within sixty days of the date the LDC filed direct testimony, and the LDC and other parties shall file surrebuttal testimony within sixty days of the date rebuttal testimony was filed. The parties shall also prepare and recommend a procedural schedule that will permit any unresolved issues to be litigated and decided by the Commission within two years of the date the Company made its ACA filing.

(8) PGA/ACA information to be contained in the LDCs' tariff. Each LDC utilizing this PGA/ACA recovery process shall have Commission approved tariff sheets containing the necessary information to administer and operate its PGA/ACA recovery process. The tariff shall be in full compliance with this rule.

(9) Upon the effective date of this Rule each LDC has sixty (60) days in which to file tariff sheets, with a sixty (60) day effective date, containing any necessary information and language to administer and operate its PGA/ACA recovery process.