

## D R A F T

### **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 Actual Cost Adjustment process for prudently incurred gas cost.*

- (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 Clause (PGA/ACA) means the process established in a general rate case that allows periodic rate adjustments outside a general rate proceeding used for the recovery from consumers of prudently incurred gas costs and the true-up process to determine the actual prudently incurred gas costs.
  - (F) Actual Cost Adjustment (ACA) means the process used for a true-up (reconciliation) of LDC revenues billed through the PGA Factor during the ACA Period to the actual prudently incurred cost of gas.
  - (G) PGA Factor means a customer charge expressed as either \$/Ccf, or \$/Therm to reflect the LDC's current estimate of the cost of natural gas services purchased by the company.
  - (H) ACA Factor means an adjustment to customers' bills expressed as \$/Ccf, or \$/Therm to reflect the LDC's reconciliation of prudently incurred actual gas costs.
  - (I) True-up ACA Period or ACA Period mean the period under consideration for each PGA/ACA case.
  - (J) 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 ACA/PGA process are considered by the commission.
  - (K) FERC means the Federal Energy Regulatory Commission.
  - (L) Gas Costs means gas supply commodity charges, pipeline transportation and contract storage charges, and financial instrument costs associated

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with mitigating price volatility in the Company's gas supply portfolio. The Company shall specify the account in which each of these gas costs is recorded and such recording shall be consistent with the Uniform System of Accounts as prescribed by the FERC consistent with 4 CSR 240-40.040. All costs which are not gas supply commodity, pipeline transportation and contract storage, or financial instrument price volatility mitigation for which the Company is requesting recovery through the PGA/ACA process shall be identified and recorded in its own separate subaccount with sufficient details to justify it as a gas cost.

- (M) 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 or within the LDC's knowledge.
- (2) The PGA/ACA Clause is available, upon Commission approval of an LDC's applicable tariff provisions in a general rate case, to each LDC as defined above. Only prudently incurred gas costs are recoverable in customer rates through this process. No rate, factor, or charge shall be billed, changed or modified unless specifically approved and ordered by this Commission. Commission approval of the LDC's proposed factors does not represent pre-approval of costs recovered through these factors.
- (3) The PGA/ACA process permits periodic rate adjustments during the ACA period outside a general rate proceeding.
- (4) The PGA/ACA process requires a true-up of billed revenues billed to an LDC's customers through the Company's PGA Factor which shall be reconciled with the actual prudently incurred costs of gas with adjustments made through the ACA Factor.
- (5) LDC Filing Procedures for PGA Factors
  - (A) In its PGA Factor filings the LDC shall estimate its gas costs for the current ACA period. The PGA Factor calculation shall be the LDC's best estimate of the LDC's gas costs and volumes to be purchased for resale to customers and shall include documentation to fully support the LDC's calculation for projected monthly demand levels, supply options, transportation options, storage options, and revenues that affect the PGA rate calculation.
  - (B) In its PGA factor filing each LDC shall include a signed Affidavit attesting that the person signing has participated in the preparation of the information provided and has verified the information was prepared by

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- person(s) with the knowledge of the matters set forth and the responses are accurate and complete, and contain no material misrepresentations or omissions to the best of his/her knowledge and belief.
- (C) The LDCs may make up to four (4) PGA filings during each calendar year. One such filing shall be effective between October 1, and December 5 of each year, but no more than one PGA filing shall become effective in any two consecutive calendar months unless specifically ordered by the Commission.
  - (D) The LDC shall make PGA/ACA filings at least 30 days prior to the proposed effective dates.
  - (E) Each LDC PGA filing shall include the information specified in 4 CSR 240-3.242.
- (6) Staff shall review the LDC's PGA Factor filing to determine that all information required in 4 CSR 240-3.242, accompanied by the required Affidavit, is included with the filing and that the information supports the proposed PGA factor change. The Staff shall review the LDC's proposed factor 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 240-3.242, 4 CSR 240-3.242 and the LDC's tariff the Staff shall file its recommendation with the Commission within twenty (20) days. If the filing is not in conformance with the requirements, Staff shall notify the LDC of the deficiency and may recommend the Commission reject the filing.
- (7) Procedures for LDC Filing of the ACA Factor.
- (A) In its ACA filing each LDC shall include a signed Affidavit attesting that the person signing has participated in the preparation of the information provided and has verified the information was prepared by person(s) with the knowledge of the matters set forth and the responses are accurate and complete, and contain no material misrepresentations or omissions to the best of his/her knowledge and belief.
  - (B) 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.
  - (C) Each LDC ACA filings shall include the information specified in 4 CSR 240-3.242.
- (8) The Staff shall conduct an ACA audit after the end of each ACA Period for each LDC.
- (A) Staff's procedure may include, but is not limited to:
    - 1. A review of the LDC's reconciliation of actual gas costs with what it charged customers (its billed PGA revenues);
    - 2. An audit to determine if the LDC claimed gas purchase costs are properly attributed to the ACA Period under review;

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3. An audit 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. A review of the LDC's gas purchasing practices to determine whether the LDC has submitted sufficient supporting documentation to demonstrate the prudence of its natural gas purchasing and operating decisions.
- (B) Staff's audit findings shall include any recommendation for changes to the ACA balances in the form of an over-recovery or under-recovery of the ACA balances.
- (9) PGA/ACA information to be contained in the LDCs' tariff. Each LDC utilizing this PGA/ACA process shall have Commission approved tariff sheets containing the necessary information to administer and operate its PGA/ACA process. However, the tariff shall be in full compliance with this rule.
- (10) 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 the necessary information and language to administer and operate its PGA/ACA tariff process.