# 65 INDEPENDENT AGENCIES - REGULATORY

407 PUBLIC UTILITIES COMMISSION

Chapter 430: COST OF GAS ADJUSTMENT FOR GAS UTILITIES

**TABLE OF CONTENTS**

 **Section** **Page**

 1. Definitions 1

 2. Application for Cost of Gas Adjustment 2

 3. Projected Cost of Gas 3

 4. Reconciliation Adjustment 4

 5. Interest Expense Adjustment 5

 6. Transition Adjustment 6

 7. Computation of Cost of Gas Adjustment 7

 8. Annual Report 7

 9. Reporting Requirements 8

 10. Transition 8

65 INDEPENDENT AGENCIES - REGULATORY

407 PUBLIC UTILITIES COMMISSION

Chapter 430: COST OF GAS ADJUSTMENT FOR GAS UTILITIES

SUMMARY: This rule, applicable to gas utilities, establishes rules for calculation of gas cost adjustments, procedures to be followed in establishing gas cost adjustments and refunds, and describes reports required to be filed with the Commission.

1. DEFINITIONS

 A. Gas Utility. Gas utility means a gas company, or a natural gas pipeline company as defined in 35-A M.R.S.A. section 102, subsections 8 and 10.

 B. The Commission. The Commission means the Public Utilities Commission.

 C. Gas. Natural gas or a mixture of natural gas and other flammable gas, including, but not limited to, propane, liquefied natural gas and synthetic natural gas.

 D. Cost of gas. Cost of gas means the total charges paid by the gas utility for gas received into system supply for sale to its customers, less any cash or other discounts, and less any supplier refunds to be credited in a manner described in section 4(A)(6). This term encompasses associated costs including, but not limited to, labor, carrying costs, or the cost of handling the gas prior to its delivery to the gas utility for sale to its customers. The cost of gas shall also include any back out charges, pay out charges, take-or-pay penalties or similar charges to the extent that said charges have been prudently incurred. The cost of gas shall not include demurrage, purchasing agent commissions, insurance, on system storage costs, or other non gas-related expenses incurred on system by the gas utility.

 E. Therm. Therm means 100,000 btu's. This would equate to one-hundred cubic feet of one-thousand btu per-cubic-foot gas.

 F. Total Therm Sales. Total therm sales means total therms sold subject to 35-A M.R.S.A. § 4703, as the same shall be amended from time to time.

 G. Winter Period. Winter period means the six-month period from November 1 through and including April 30 of the following year.

 H. Summer Period. Summer period means the six-month period from May 1 through and including October 31.

 I. Base Rates. Base Rates are the rates set in a general rate adjustment proceeding under 35-A M.R.S.A. §§ 307, 1303 or 1308.

 J. Base Rate Cost of Gas. Base Rate Cost of Gas is that portion of the Base Rate which is designed to recover the gas utility's cost of gas. See 35-A M.R.S.A. § 4703(1). It is a fixed cents-per-therm charge on monthly billed volumes. Since the total amount recovered is dependent on therms billed, it will vary with usage.

 K. Base Rate Gas Cost Recovery. Base Rate Gas Cost Recovery means that portion of a gas utility's total cost of gas which has been or will be recovered through Base Rates. It is derived by multiplying the Base Rates Cost of Gas by the number of therms sold or projected to be sold.

2. APPLICATIONS FOR COST OF GAS ADJUSTMENT

 A. Each gas utility, as defined in this chapter, shall adjust its charges to customers to recover increases and to credit decreases in the cost of gas as approved by the Commission.

 B. No gas utility shall implement a cost of gas adjustment which has not been approved and ordered into effect by the Commission.

 C. A gas utility must file an application for a cost of gas adjustments on or before February 15 of each year, designed to recover the projected cost of gas for the summer period. It must also file a cost of gas adjustment on or before August 15 of each year, designed to recover the projected cost of gas for the winter period. The gas utility may amend its application to update it based upon more current information, to the extent that the Commission determines that such amendment will not unduly delay the Commission's determination. For good cause shown, in unusual circumstances and upon timely application by a gas utility, the Commission may allow the gas utility to vary either the filing dates or the periods during which a cost of gas adjustment is to be in effect. For the first filing which a gas utility makes pursuant to these regulations, section 2(F) of this chapter shall control.

 D. In addition to the applications which must be filed pursuant to the previous subsection of this chapter, a gas utility may file an application seeking an alteration in its cost of gas adjustment in the event that its then-effective cost of gas adjustment is likely to result in a material over-recovery or under-recovery of gas costs, and upon a showing satisfactory to the Commission that any delay in making an adjustment will unreasonably burden either the gas company or its customers. Except by leave of the Commission, no such application shall be filed less than 90 days following the date upon which the last application for a cost of gas adjustment was filed. Additionally, after summary investigation the Commission may direct any gas company to file a new cost of gas adjustment.

 E. After receipt of an application for a cost of gas adjustment, the Commission shall order notice of the application to be published within seven (7) days of receipt and shall set a time and place for a public hearing, which shall be held, unless otherwise ordered by the Commission, within fourteen (14) days after publication of the notice. The Commission shall render its decision on the application within forty-five (45) days of the close of the hearing or within forty-five (45) days of receipt of the application, if no hearing is held. Except in unusual circumstances, the Commission shall act upon a cost of gas adjustment application prior to the start of the applicable summer or winter period.

 F. With respect to the first cost of gas adjustment application filed by a gas utility following the effective date of this chapter, the period during which the adjustment is to be in effect may be different than the periods defined in Sections 1(G) and (H) of this chapter. All gas utilities providing service on the effective date of this chapter shall file a cost of gas adjustment application within thirty (30) days thereof. All other gas utilities shall file a cost of gas adjustment application not less than seventy-five (75) days prior to the commencement of service.

3. PROJECTED COST OF GAS

 For all applications filed pursuant to Section 2(C) of this chapter, the gas utility shall estimate its total cost of gas for each month of the period during which the cost of gas adjustment is proposed to be in effect. For all applications filed pursuant to Sections 2(D) and 2(F) of this chapter, the gas utility shall estimate its total cost of gas for each of the remaining months of the period for which the application is filed.

4. RECONCILIATION ADJUSTMENT

 A. The Commission shall make a reconciliation adjustment for inclusion in the cost of gas adjustment of a gas utility to account for the following:

 1) A Transition Adjustment, if any as defined in Section 6, below.

 2) Any amounts over-collected or remaining to be collected from prior periods. Any over-collection or under-collection occurring during a winter period shall be recovered by means of the cost of gas adjustment effective during the next winter period. Any over-collection or under-collection occurring during a summer period shall be recovered by means of the cost of gas adjustment effective during the next summer period. In the case of periods during which the cost of gas adjustment is changed pursuant to an application filed under Section 2(D) of this chapter, all or part of the unrecovered or over-collected gas costs that accumulate during the first months of the period may, in the discretion of the Commission, be recovered during the remaining months of the period.

 3) Errors or erroneous reporting.

 4) Imprudent or unreasonable gas procurement policies and practices.

 5) Such other practices, policies, and factors as the Commission considers appropriate, including the justness and reasonableness of the cost of gas acquired by the gas utility.

 6) Refunds received from suppliers, to be treated as follows:

 (a) Refunds, whenever received, shall be retained by the gas utility for inclusion in the next reasonably available cost of gas adjustment following receipt of the refund, and then shall be distributed over the next 12 months.

 (b) The gas utility shall accrue interest on the balance refunded in a manner consistent with Section 5(C) beginning with the second month of retention and continuing through the refund period. In making a refund adjustment, the gas utility shall also include a projection of accrued interest associated with the amortization of the refunded balance over the twelve-month amortization period. This shall be computed by applying the gas utility's latest known twelve-month actual average short-term interest rate, to the projected average refund balances for each month during which the amortization is to be accomplished.

 (c) At the end of the twelve-month distribution period, any refunds not fully distributed, or any amounts distributed in excess of the refund, together with interest accrued during the intervening period, calculated in a manner consistent with Section 5(C), shall be included in the next available cost of gas adjustment.

 B. The reconciliation adjustment may be either positive or negative.

 C. If for any reason a cost of gas adjustment authorized pursuant to this chapter is in effect for a period different than the summer and winter periods set forth in this chapter, the Commission shall allow any over- or under-recoveries of reasonable gas costs incurred during said period to be recovered in a manner consistent with the purposes of this chapter, preserving so far as is possible, the principle of recovering summer gas costs during subsequent summer periods, and winter gas costs during subsequent winter periods.

5. INTEREST EXPENSE ADJUSTMENT

 The interest expense (either positive or negative) associated with under- and over-collections of gas costs, shall be included in the cost of gas adjustment.

 A. Over-and under-collected gas costs, and associated interest costs shall each be accounted for separately for each summer and winter period. The balances in the summer accounts at the end of each summer period shall be transferred to the next summer period for inclusion in the cost of gas adjustment in effect for the next summer period. With respect to the over- and under-collected gas cost account only, the gas utility shall accrue interest during the intervening winter period by applying the company's average short-term cost of borrowing, as the company's average short-term cost of borrowing, as determined in Section 5(C), to this account for each month of the intervening winter period. The balances at the end of each winter period shall be treated in the same manner.

 B. The over-/under-collection gas cost accounts for each period shall be credited or debited each month with the difference between gas cost revenues billed that month and gas costs incurred that month. Gas cost revenues are the total of the base rate gas cost recovery and cost of gas adjustment revenues, net of transition and supplier refund revenues.

 C. The over-/under-collection interest accounts for each period shall be credited or debited each month with the over-/under-collection interest expense. This expense shall be computed by applying the Company's average short-term cost of borrowing for the month to the average of the beginning and end of month balances of the over-/under-collection gas cost accounts, for each month of the applicable period.

 D. If, in a gas utility's most recent rate proceeding, the Commission has approved, by stipulation or otherwise, a capital structure, cost of equity and overall cost of capital, then in lieu of using actual and projected short-term debt interest costs in this section to reflect the capital costs associated with deferring the recovery or return of over- or under-collected gas costs, the Commission may, in its discretion, make the adjustment by using the overall cost of capital, adjusted to account for the taxes on the equity portion of that return on capital.

6. TRANSITION ADJUSTMENT

 Unrecovered reasonable gas costs outstanding on the effective date of a gas utility's first cost of gas adjustment shall be recovered as follows:

 A. The Commission shall determine the total amount of uncollected reasonable gas costs as of the date of the new cost of gas adjustment. The Commission shall also determine a reasonable interest expense, in a manner consistent with Section 5(C), reflecting the cost, as of the date of the implementation of the first cost of gas adjustment filed pursuant to this Chapter, of deferring the recovery of these gas costs. The Commission shall also estimate the projected interest costs, associated with the amortization of the balance over the period selected in subsection C of this Section, in a manner consistent with Section (4)(A)(6)(b).

 B. These amounts, shall be amortized over a period, to be determined by the Commission, of not more than twenty-four months, and shall be recovered by means of the cost of gas adjustments in effect during the amortization period.

 C. The adjustment for this recovery shall be derived by dividing the total unrecovered gas costs together with associated interest, as determined by the Commission, by the projected total number of therm sales during the amortization period.

 D. In each filing made pursuant to this chapter during the amortization period, the gas company shall indicate the gas costs recovered to date pursuant to this subsection. The gas company may then propose, and the Commission may order or authorize, a change in the amortization rate to minimize the possibility either of an over-recovery or an under-recovery of the amount to be amortized.

 E. Any over-recovery or under-recovery outstanding at the close of amortization period shall be treated in accordance with the method set forth in Section 4(A)(6)(c) of this chapter.

7. COMPUTATION OF COST OF GAS ADJUSTMENT

 A. The cost of gas adjustment for any period is equal to the projected cost of gas for that period, plus or minus the reconciliation adjustment, plus or minus the interest expense adjustment, minus the base rate gas cost recovery.

 B. A gas utility shall estimate the total therm sales for each month of the period during which its proposed cost of gas adjustment is intended to be in effect.

 C. The cost of gas adjustment rate for any period is equal to the cost of gas adjustment divided by the projected total therm sales for that period.

 D. The cost of gas adjustment rate shall be a single uniform rate per therm for all customers of the gas company.

8. ANNUAL REPORT

 A. Each gas utility shall file with the Commission an annual cost of gas report as a supplement to its Annual Report to the Commission, by May 1. Each report shall contain information regarding:

 1) Procedures employed to assure that minimum prices are paid for gas purchased;

 2) Policies followed to assure long-term supply of gas at reasonable prices;

 3) Summary of financial and statistical data, with any necessary reconciliation to data presented in the gas utility's annual report;

 4) Name of person or firm making audit, whether or not that person is an employee of the gas utility;

 5) A disclosure of any ownership or corporate relationship between the gas utility, its directors, its officers, or its employees who are engaged in the acquisition of gas, and the seller of gas to such utility.

9. REPORTING REQUIREMENTS

 A. By no later than 25 days following the end of each quarter, each gas utility shall submit a quarterly report reflecting operations during the prior quarter in accordance with the format established by the Commission. Each report shall include all information necessary to calculate and document gas charges and costs, gas adjustment charges, and any other information in whatever form requested by the Commission to facilitate the evaluation and cost justification process. These reports shall show the volume of pipeline natural gas, liquefied natural gas, storage gas and propane air gas and other gas supplied to customers during the quarter, together with the cost of each. The quarterly report shall include all relevant data for the preceding calendar quarter, including revenue received under the cost of gas adjustment. It shall also report and describe any refunds received during the quarter. By no later than 40 days from the end of each quarter, the gas utility shall also explain in writing any differences between actual gas costs, gas sendout and gas sales, and the projections made in its filing.

10. TRANSITION

 Any cost of gas adjustment tariff in effect on the effective date of this chapter shall remain in effect until such time as a cost of gas adjustment made pursuant to this chapter becomes effective.

BASIS STATEMENT: The factual and policy basis for this amended rule is set forth in the Commission's Statement of Factual and Policy Basis and Order Adopting Rule, Commission Docket No. 97-172, issued on August 6, 1997. Copies of this Statement and Order have been filed with this rule at the Office of the Administrative Director, Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, ME 04333-0018.

STATUTORY AUTHORITY: 35-A M.R.S.A. §§111 and 4703.

EFFECTIVE DATE: This rule was approved as to form and legality by the Attorney General on **September 4, 1997**. It was filed with the Secretary of State on **September 4, 1997** and will be effective on **September 9, 1997**.

NON-SUBSTANTIVE CORRECTION: September 24, 1997 - date in Basis Statement.

APAO WORD VERSION CONVERSION (IF NEEDED) AND ACCESSIBILITY CHECK: July 19, 2025