

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE UNION LIGHT,)
HEAT, AND POWER COMPANY FOR AN) CASE NO. 92-346
ADJUSTMENT OF RATES)

O R D E R

On August 12, 1993, The Union Light, Heat and Power Company ("ULH&P") and the Attorney General, through his Utility and Rate Intervention Division ("AG"), filed applications for rehearing of the Commission's July 23, 1993 Order granting ULH&P an annual increase in gas revenues of \$3.9 million. ULH&P raised 14 issues and the AG raised 8 issues for reconsideration.

RATE BASE

The AG claims that the Commission incorrectly rejected several of his proposed rate base reductions. First, he contends that ratepayers have not benefitted from the recorded deferred tax charge for post retirement benefits and that, without recognition of a corresponding accrued liability, this charge must be excluded. As noted in our July 23, 1993, Order, this is the third proceeding where the AG has proposed some adjustment to rate base related to these charges. Yet again, he has offered no evidence in this proceeding to support his proposed adjustment. The Commission's treatment of this issue is correct. As we stated in our July 23, 1993 Order, ULH&P's ratepayers benefitted from deferred income tax debits because, at the time they were recorded, book income tax expense was lower than the actual income tax liability. Ratepayers

benefit from deferred income tax credits as the tax timing difference which produced the credits reverses.

The AG also argues that the rate base has been overstated by including a cash working capital allowance based on the 1/8 formula methodology without an offsetting allowance for liabilities with respect to "cost-free" funds associated with excessive purchased gas costs, accrued property taxes, and accrued benefits. The AG has opposed the use of the 1/8 formula in this and other cases¹, preferring the use of a lead lag study. However, determining the cash working capital allowance from a lead lag study requires a complete analysis based upon a complete study. It cannot be done fairly and reasonably by analyzing only three accounts as suggested by the AG and he has offered no evidence in this proceeding to persuade us that these "cost-free" funds should be included to determine rate base.

Rehearing on both issues is denied.

CAPITAL

ULH&P claims the Commission erred in determining its gas operations capitalization. The Commission determined gas capitalization by first applying the ratio of jurisdictional gas rate base to the total company jurisdictional rate base. The resulting percentage was then applied to total company capitalization yielding the total gas capitalization. The Commission then

¹ Transcript of Evidence ("T.E."), Vol. I, April 19, 1993, at 87-88.

deducted amounts identified by ULH&P as nonjurisdictional gas operations to derive jurisdictional gas capitalization.

ULH&P does not challenge our determination of the allocation ratio in the first of its two alternative proposals. ULH&P states that if the capitalization determination is based on an allocation factor which reflects jurisdictional amounts, the factor should be applied to a total jurisdictional capitalization, exclusive of non-jurisdictional amounts. ULH&P argues that to determine its gas operations capitalization, the Commission should either use the foregoing approach or, alternatively, calculate the allocation factor using the gas jurisdictional rate base divided by a total company rate base which includes non-jurisdictional amounts, and apply the results to the total company capitalization.

ULH&P is a combined gas and electric utility. Its total capitalization supports both jurisdictional and nonjurisdictional gas and electric operations. The Commission allocated the capitalization to establish a proper match of ULH&P's jurisdictional gas operations rate base to its jurisdictional gas operations capitalization. We have reviewed the arguments presented by ULH&P and conclude that while the allocation factor was properly calculated, the factor should be applied to total jurisdictional capitalization. Reconsideration is granted.

In recalculating ULH&P's jurisdictional gas operations capitalization the ratio is applied to total jurisdictional capitalization, and not to total capitalization which includes non-jurisdictional amounts. This approach will allow for the proper

matching between rate base and capitalization because the same basis, i.e. jurisdictional amounts, will be used. The first alternative offered by ULH&P closely approximates this approach. However, ULH&P's first alternative should have included an adjustment to total capitalization to remove electric and common non-jurisdictional plant as this case applies only to gas rates. ULH&P's second alternative is not appropriate because it mismatches gas jurisdictional rate base to a total rate base which includes non-jurisdictional amounts. This methodology is appropriate only if the total rate base and total capitalization are equal. However, ULH&P's total rate base and capitalization are not equal.

The Commission has recomputed ULH&P's jurisdictional gas operations capitalization as follows. Beginning with the total company capitalization determined in our July 23, 1993 Order of \$182,337,414,² we deduct the gas non-jurisdictional amount totalling \$3,431,443³ and \$307,205 of non-jurisdictional amounts relating to electric operations and common plant. The electric and common non-jurisdictional amounts have been determined using the account balances provided in ULH&P's workpapers⁴ and the jurisdictional allocation factors provided by ULH&P and adopted by

² July 23, 1993 Order, at 11.

³ Id., at 12.

⁴ Application Workpapers WPB-8.1.

the Commission in Case No. 91-370.⁵ This results in a total ULH&P jurisdictional capitalization of \$178,598,766. Next, the allocation ratio of 43.968 percent was applied to the total jurisdictional capitalization, which results in a jurisdictional gas operations capitalization of \$78,526,630. As reflected in our July 23, 1993 Order, this amount is increased by \$2,268,387, the jurisdictional amount of Job Development Investment Tax Credits applicable to gas operations. The resulting total jurisdictional gas operations capitalization of \$80,795,017 was used to determine the interest synchronization adjustment for ULH&P and its revised revenue requirements.

The AG did not specifically request rehearing on gas capitalization. However, he states that the Commission has established a dangerous precedent in using ULH&P's capital structure as it is solely determined by ULH&P's parent, The Cincinnati Gas and Electric Company ("CG&E"). The AG asserts that the Commission did not review or analyze the balances of certain asset and liability accounts in conjunction with the capitalization determination.

In both Case No. 90-041⁶ and Case No. 91-370, the capital structure of ULH&P was used as the beginning point to determine the

⁵ Case No. 91-370, Application of The Union Light, Heat and Power Company to Adjust Electric Rates, final Order dated May 5, 1992. Allocation factors are listed in Schedule B-2.1 of the Application.

⁶ Case No. 90-041, An Adjustment of Gas and Electric Rates of The Union Light, Heat and Power Company.

capital structure adopted by the Commission. Prior to his petition for rehearing in this case, the use of ULH&P's capital structure was not challenged by the AG. In those cases, as in this one, all pertinent asset and liability accounts were reviewed. Based on that review, use of ULH&P's capital structure is appropriate. Rehearing is denied.

REVENUES AND EXPENSES

Depreciation Expense

ULH&P asserts that the Commission erred in denying a portion of the proposed depreciation expense adjustment. ULH&P specifically refers to its recent depreciation study which contains the information on historic salvage values that the Commission had cited as missing. ULH&P asks the Commission to reconsider the adjustment, and offers to make available the experts who performed the study.

The Commission acknowledges that the historic salvage value data was included in the study. The Commission has reviewed the cited information and notes the net salvage statistics for Plant Group Account No. 2530 on page 135 of the study in no way support the use of a negative 25 percent net salvage rate. The narrative explanation contained on pages 14 and 15 of the study does not explain the conclusion that the data on page 135 supported the negative 25 percent net salvage rate. Nor do the net salvage statistics for Plant Group Account No. 2590 on page 136 of the study support the use of a negative 40 percent net salvage rate. According to the narrative, the analyses for the period 1980

through 1990 contributed significantly toward the net salvage estimates. However, the negative 40 percent rate only occurs in the last 3-year moving average. In only three years of the 1980 - 1990 period did the net salvage percentage exceed a negative 40 percent.

The Commission notes that ULH&P provided one witness to support the depreciation expense adjustment, who stated he was familiar with the study only to the extent that it developed new rates.⁷ ULH&P's offer to produce at this time the experts who actually prepared the study is unacceptable as it carries the burden of proof to support its proposed adjustments, at the latest before the record is closed.

The net salvage statistics and narrative discussions for the plant group accounts clearly do not support the net salvage rates. The Commission is not persuaded that reconsideration of this issue is necessary. Rehearing is denied.

Post-Retirement Benefit Costs

In its petition for rehearing, ULH&P seeks an adjustment allowing it to recover post-retirement benefit costs. ULH&P states that the specific level of costs was identified in a response to a data request. However, the record reflects that no specific adjustment was ever proposed by ULH&P. No pro forma adjustment was proposed in the original application. No amendment to the application was made at any time during this proceeding to

⁷ T.E., Vol. I, April 19, 1993, at 12.

recognize specifically the Financial Accounting Standards Board Opinion No. 106 ("FASB 106"). While ULH&P stated it believed these costs would be addressed in the Commission's generic proceeding on FASB 106,⁸ it was incumbent on ULH&P, if it wished the adjustment to be made, to propose a specific adjustment and provide information in the instant case which would allow the Commission to make an independent calculation of the adjustment. As no adjustment to recover FASB 106 costs was proposed by ULH&P and insufficient record evidence exists upon which to calculate it, rehearing is denied.

Overtime Expense

ULH&P argues that an appropriate overtime reduction was part of its total downsizing expense reduction and that the Commission overstates the decreased overtime expenses by including an additional separate reduction. The downsizing expense reductions used to compute the adjustment were taken directly from the record in this proceeding.⁹ The only quantified amount for overtime provided by ULH&P was for indirect overtime and this amount was recognized in our determination of the adjustment. While ULH&P's data response indicates that the reduction in complement includes overtime, no amount for overtime expense was identified there or in

⁸ Response to the Commission's Order dated October 21, 1993, Item 60(c).

⁹ Response to April 19, 1993 Hearing Request, filed May 4, 1993, at 4-7.

the supporting schedules.¹⁰ Thus, ULH&P's claim that overtime was in fact included in the downsizing calculations is unsupported by the record and rehearing should not be granted on this issue.

Vacation Accruals

The AG requests that we reconsider the rejection of his proposed adjustment to accrued vacation expense. The AG asserts that the adjustment was not based solely on fluctuations in the monthly accruals to the account. Rather, he argues that the December 1991 accrual must have been related to some prior period because the account should not show a dramatic increase at a time when the work force was declining.

To support his position, the AG presented a review of the monthly expense balances for this account for the test year and the following three months. However, he did not explain how expenses allegedly relating to prior periods can be too high for a declining work force, when ULH&P's downsizing occurred some ten months after the December 1991 accrual in question. He has presented no evidence and, other than sheer speculation, no reasonable basis upon which the Commission could accept the adjustment as presented.

Rehearing on this issue is denied.

Income Tax Expenses

The AG states that the Commission failed to address any of his recommendations to reduce federal income tax expense. The AG originally proposed three different tax adjustments relating to

¹⁰ Id., at 5-7.

depreciation and Allowance for Funds Used During Construction ("AFUDC"). In addition, the AG now argues that the state and federal deferred income taxes should be reduced by \$103,695, an amount identified by ULH&P in its rebuttal testimony.

The law requires that the Commission determine rates based upon the evidence of record. Those adjustments which have been accepted as reasonable are fully set forth in our Order of July 23, 1993 and are supported by the record. Although the Commission is not required specifically to address in its Order each and every adjustment proposed by any party, we will nonetheless address the AG's concerns.

The Commission computed a state and federal tax effect for the depreciation adjustment allowed. Concerning the AG proposal for a "depreciation add back," the Commission accepted ULH&P's rebuttal testimony as representing proper accounting treatment and being supported by the evidence. As the Commission included an AFUDC offset to determine ULH&P's revenue requirements, it would not be appropriate to remove these taxes.

Finally, concerning the \$103,695 adjustment to deferred income taxes addressed in the company's rebuttal testimony, while ULH&P claimed that a detailed analysis of the adjustment was forwarded in a data response, no such analysis was actually submitted.¹¹ Rehearing should therefore be denied.

¹¹ Coyne Rebuttal Testimony, at 3, and Response to the Commission's Order dated November 13, 1992, Item 5.

ULH&P requested that the tax effect of any adjustments made upon rehearing be applied to the test year results for purposes of adjusting its rates. The Commission agrees and the income tax impact of the adjustments allowed has been recognized in determining revised revenue requirements.

Downsizing Adjustment

ULH&P claims that the Commission overstated the downsizing adjustment by failing to reflect the Commission's decision in Case No. 92-381.¹² ULH&P contends that in calculating downsizing savings, it included amounts it would save if the Commission granted its requested deviation in that case. As the Commission denied the requested deviation, ULH&P argues that the anticipated savings should be removed from the downsizing adjustment.

While ULH&P included a line item on the reduction summary page of its filing to reflect that the requested deviation was denied, its supporting calculations do not demonstrate that any anticipated savings were originally included. Regardless, neither ULH&P's request for reconsideration nor its pleadings in Case No. 92-381 demonstrate that any anticipated savings were related exclusively to labor or labor-related costs and the amounts were therefore properly excluded from the adjustment. Rehearing is denied.

¹² Case No. 92-381, The Application of The Union Light, Heat and Power Company for Authority to Implement a Gas Services Safety Inspection Pilot Program, final Order dated January 19, 1993.

PSC Assessment

ULH&P claims the Commission has incorrectly determined the allowable expense for the PSC Assessment and that, based on an allocation of the total ULH&P PSC Assessment, the correct amount should be \$131,255.

In the July 23, 1993 Order, the Commission included the test-year actual expense, an amount of assessment based on the revenue increase related to the revenue normalization, and included the PSC Assessment rate in the gross-up revenue factor. However, because we recognized the 1993-94 fiscal year assessment rate, we should have normalized the assessment on the total normalized operating revenues. We accordingly grant reconsideration.

Rather than allocating its total assessment as suggested by ULH&P, we have calculated the assessment in the following manner. To determine the appropriate amount for the normalized PSC Assessment, we determined intrastate revenues beginning with the normalized operating revenues from the July 23, 1993 Order.¹³ We deducted the test-year actual amounts for Sales for Resale and Interdepartmental Sales¹⁴ and applied the 1993-94 fiscal year PSC Assessment rate of .1599 percent. The resulting normalized PSC Assessment is \$114,798.¹⁵ Deducting the test-year expense and the amount already included for the incremental revenue normalization

¹³ July 23, 1993 Order at 37.

¹⁴ Account Nos. 483 and 484, Application Workpapers WPC-2.2, pages 65 and 66 of 146.

¹⁵ \$71,793,545 times .1599% equals \$114,798.

from this revised figure results in an increase in operating expenses of \$15,818.

Wages and Salaries

ULH&P contends that the Commission erred in determining an appropriate wage adjustment by making the adjustment without reference to methodology it used and without support in the record.

In our July 23, 1993 Order, we cited three specific problems with the wage and salary normalization proposed by ULH&P.¹⁶ The approach used to determine the adjustment to wages and salaries was specifically set forth, and all components used in the calculations were taken directly from the record in this proceeding. Rehearing is accordingly denied.

AFUDC Offset

ULH&P claims that the Commission erroneously calculated the AFUDC offset by using return on capital rather than return on rate base. ULH&P argues that if the Commission is going to require the offset, the rate of return on rate base should be used because the Construction Work in Progress ("CWIP") balance (which is subject to AFUDC) used to determine the offset is a rate base item. ULH&P further argues that the deferred income taxes related to the CWIP amount should be removed from the CWIP balance before the offset is calculated.

As we stated in our July 23, 1993 Order, as long as the balance of all CWIP including CWIP subject to AFUDC is in ULH&P's

¹⁶ July 23, 1993 Order at 18.

rate base, a corresponding adjustment will be made to its revenue requirements to achieve proper matching. Because the offset is an adjustment to the revenue requirements, the appropriate rate of return for the calculation is that used to determine revenue requirements. ULH&P's revenue requirements were based on the rate of return on capital. The return on capital represents the overall cost of funds to the utility to support all elements of the rate base including CWIP.

For the first time in this proceeding, ULH&P now seeks an adjustment to the CWIP balance reflecting deferred income taxes. ULH&P has offered nothing further in support of this claim. The Commission determined the AFUDC offset to net operating income in a manner consistent with prior ULH&P rate treatment and sound regulatory practice. Thus, rehearing will be denied on this issue.

We have, however, recalculated the AFUDC offset to reflect our decision concerning the appropriate interest rate for short-term debt (discussed below). Based on the revised rate of return on capital, the increase in net operating income related to AFUDC is \$323,594,¹⁷ which is \$1,223 more than the amount included in the July 23, 1993 Order.

Short-Term Debt Interest Rate

ULH&P requested that the Commission reconsider its determination of the capital structure and cost of short-term debt

¹⁷ \$3,236,000 times 10.000 % = \$323,594. While the rate of return is stated to three decimal places, the actual computer calculation carried all decimal places, resulting in the lower amount.

in this proceeding. ULH&P would have the Commission adopt its proposed capital structure consisting solely of long-term debt and equity. To exclude short-term debt as a component of ULH&P's capital structure would simply ignore the facts. ULH&P relies upon short-term debt as a means of financing. The Commission finds no evidence to support the permanent elimination of short-term debt. Considering the actual long-term debt and equity at the end of the test year, average short-term debt for the test year, and the post test year long-term debt and common stock issues, the Commission's authorized capital structure remains reasonable.

However, upon reconsideration, the Commission finds it did err in stating that 4.21 percent was the actual interest paid or accrued on short-term debt during the test year. The cost of short-term debt should be amended to 4.81 percent.

Transportation Charges

The AG requests reconsideration of his proposal to reduce ULH&P's expenses by \$42,857 by removing the amount recorded in Account No. 807-58 for transportation charges billed to end users. He states that his proposed adjustment was not rebutted by ULH&P nor discussed in our Order.

We will grant reconsideration. The record indicates that ULH&P removed the revenues associated with these charges. Therefore, the AG's adjustment removes the correlating expense and should be allowed. ULH&P offered no rebuttal. Upon reconsideration, the Commission accepts the AG's adjustment which reduces ULH&P's operating expenses by \$42,857.

Interest Synchronization

The AG contends that the Commission erred in computing the interest synchronization adjustment by using the test-year interest expense instead of ULH&P's annualized interest expense. To clarify, we determined all adjustments in this proceeding by first determining the appropriate level of revenue or expense, and then comparing that level with the test-year actual amounts. Thus, annualized expense was included, and rehearing is denied. However, because of our decision herein concerning the interest rate for short-term debt, the interest synchronization adjustment should be recalculated. Using the corrected capitalization, the adjusted capital structure allowed in the July 23, 1993 Order, and the applicable cost rates for the debt components, the Commission has computed an interest expense increase of \$45,273, which results in a decrease to income tax expense of \$17,858.

Miscellaneous Expenses

The AG requested that the Commission reconsider his recommendations to reduce selling, community service, and public relations expense, and to remove other miscellaneous expenses. The AG claims all of these expenses are inappropriate for rate-making purposes, as they are non-recurring or unnecessary to provide gas service.

Other than his assertion that including these items is inappropriate, the AG has offered no support for his argument. Thus, rehearing should be denied.

OTHER ISSUES

Propane Study

ULH&P professes inability to perform the optimal propane inventory study required by our Order without additional direction and requests that the Commission vacate this requirement. ULH&P suggests instead that we direct it and the Commission Staff to work toward an agreement establishing an optimal propane inventory.

The Commission finds no merit in ULH&P's request. ULH&P was directed to perform the study in Case No. 90-041, and no evidence was presented in this case to show that any attempt has been made to do so. The question of whether ULH&P is using its propane facilities and inventory in the most economic and optimal fashion cannot be answered through a gas supply requirements analysis which simply assigns a set amount of the requirement to propane without analyzing whether that amount is appropriate, or more importantly, optimal. Rehearing is denied.

Scott, Madden and Associates Study

ULH&P requests that the Commission eliminate the requirement that ULH&P prepare a summary of the recommendations of Scott, Madden and Associates. ULH&P notes that it informed the Commission that these consultants did not issue a written report on the self-analysis of ULH&P and CG&E.

In response to this information, Item 7 of the Commission's Order dated November 13, 1992, specifically stated, "If Scott, Madden and Associates do not issue a written report or written study results, prepare a summary of the recommendations and

comments offered by these consultants." (emphasis added) This request was issued while the self-analysis was in progress. ULH&P states that it would be non-productive for it to attempt to create a summary of a report that does not exist. It has offered no information, in any form, on the recommendations made by the consultants. If Scott, Madden made no written report, it obviously cannot be copied. If they made an oral report, we are entitled to know its contents in summary, and ULH&P itself might well find a summary useful in the future. If they made no recommendations at all, either written or oral, we are entitled to know that as well. Rehearing is denied.

Management Audit Implementation

ULH&P requests that the findings related to its management audit implementation be reversed and withdrawn. ULH&P denies that it has taken a "cavalier attitude" toward the implementation of the recommendations and cites numerous reports to the Commission's Management Audit Branch on the status of the recommendations. It claims to be unable to satisfy this requirement because it cannot go back and recreate conditions that existed before the audit recommendations were implemented.

When the Commission requested the information on the management audit recommendations, ULH&P responded that it would prepare the summary.¹⁸ ULH&P now claims for the first time that it cannot prepare the summary. We stated our concerns on this issue

¹⁸ Response to the Commission's Order dated November 13, 1992, Item 39(b).

in Case No. 91-370: "If such information can be provided in regular periodic reports to the Commission's Management Audit Branch but cannot be addressed with any certainty in a rate proceeding, the Commission must not only question the accuracy of the savings identified by ULH&P in its periodic progress reports but also the intentions of ULH&P to follow through on its actions to achieve these savings.¹⁹"

ULH&P's lack of responsiveness to requests during rate proceedings about costs, savings, and avoided costs have left the Commission with the impression that ULH&P has developed a "cavalier attitude" related to implementation. By definition, implementation of the recommendations does include consideration of the impacts on costs, savings, and avoided costs. Consequently, we will not reverse the order on this point.

Refund Requirements

ULH&P requests that we suspend the refund requirement imposed by our Order of July 23, 1993, until such time as we establish just and reasonable rates in accordance with its application for rehearing. Given that all requests for rehearing have been addressed herein, we find that the date for compliance with the refund requirements imposed on ULH&P by our Order of July 23, 1993 shall be the date of this Order.

¹⁹ Case No. 91-370, Order dated May 5, 1992, at 75.

REVENUE REQUIREMENTS

Based upon reconsideration, the Commission has recalculated the additional annual revenue required by ULH&P. The revised operating income and the increase in revenue allowed is as follows:

Net Operating Income Found	
Reasonable	\$8,079,364
Adjusted Net Operating Income	<u>-5,599,644</u>
Net Operating Income Deficiency	2,479,720
Gross Up Revenue Factor for Taxes, PSC Assessment, and Uncollectibles	<u>x 1.67503</u>
Additional Revenue Required	\$4,153,600

The additional revenue granted will provide a rate of return on the net original cost rate base of 9.62 percent and an overall return on total capitalization of 10.00 percent. The rates in Appendix A to this Order are sufficient to produce gross operating revenues of \$76,055,780, the revenue requirement found reasonable herein.

IT IS THEREFORE ORDERED that:

1. Reconsideration be and it hereby is granted on the issues of: 1) capitalization for the purpose of determining jurisdictional gas capitalization; 2) the normalization of the PSC Assessment for the purpose of correcting the adjustment; 3) the transportation charge for the purpose of recognizing the adjustment; and 4) the appropriate cost rate for ULH&P's short-term debt for the purpose of correcting the amount. Recognition of this correction has resulted in modifications to the Commission's determination of the interest synchronization and AFUDC offset adjustments.

2. The additional revenue increase resulting from the adjustments addressed in the preceding paragraphs is \$247,321. ULH&P should be entitled to prospective recovery of this increase. ULH&P should comply with all refunding provisions set forth in our Order of July 23, 1993, with the effective dates for such action commencing with the date of this Order.

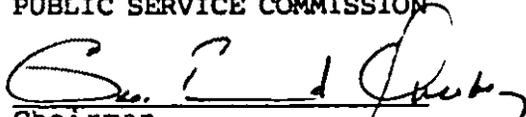
3. Rehearing on all other issues be and it hereby is denied.

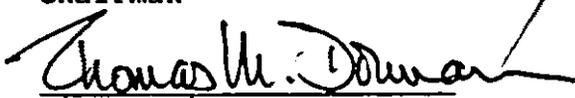
4. The rates in Appendix A will produce the required revenue increase found reasonable herein and are hereby approved as the fair, just, and reasonable rates for ULH&P on and after the date of this Order.

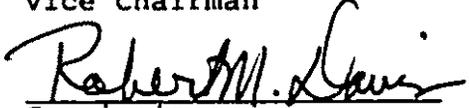
5. All other provisions of the Commission's Order of July 23, 1993 shall remain in full force and effect.

Done at Frankfort, Kentucky, this 31st day of August, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 92-346 DATED August 31, 1993.

The following rates and charges are prescribed for gas customers in the area served by The Union Light, Heat and Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order. The rates included herein reflect all gas cost adjustments through Case No. 90-041-L.

RATE RS
RESIDENTIAL SERVICE

Customer Charge per Month:		\$6.29		
	<u>Base Rate</u>		<u>Gas Cost Adjustment</u>	<u>Total Rate</u>
Commodity Charge for All CCF Consumed	22.02¢ plus	39.81¢	equals	61.83¢ per CCF

RATE GS
GENERAL SERVICE

Customer Charge per Month:		\$12.70		
	<u>Base Rate</u>		<u>Gas Cost Adjustment</u>	<u>Total Rate</u>
Commodity Charge for All CCF Consumed	20.07¢ plus	39.81¢	equals	59.88¢ per CCF

RATE IT
INTERRUPTIBLE TRANSPORTATION SERVICE

NET MONTHLY BILL

The Net Monthly Bill is determined as follows:
All gas consumed is billed in units of 100 cubic feet (CCF).

Administrative Charge per month: \$250.00

Commodity Charge per CCF:

Company will deliver the arranged-for gas, less shrinkage which is equal to the Company's system average unaccounted for percentage, at a rate of \$0.075 per CCF except as specified in the "Alternative Fuels" provision;

Plus a take-or-pay recovery charge as set forth on Sheet No. 71 Rider T-O-P, as competitive conditions allow;

Plus, if purchased by Company, an agency fee of \$0.005 per CCF and a gas cost per CCF based on that supply purchased on customer's behalf which will not be detrimental to sales service customers.