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Arizona Corporation Commission
BEFORE THE ARIZONA CORPORATION COMMISSION
DOCKETED

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CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

AUG 27 1999

DOCKETED BY *sd*

IN THE MATTER OF THE APPLICATION OF)
CITIZENS UTILITIES COMPANY - FILING)
TO AMORTIZE THE PURCHASED GAS)
ADJUSTOR BANK BALANCE)

DOCKET NO. G-00000C-98-0568

DECISION NO. 61913

ORDER

Open Meeting
August 24 and 25, 1999
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Citizens Utilities Company (Citizens) is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.
 2. On April 23, 1999, Citizens filed for a suspension of the implementation of the new 12-month rolling average PGA mechanism in its Santa Cruz Division. Citizens requested that implementation be suspended until the Commission resolves certain accounting issues related to the current Santa Cruz PGA mechanism.
 3. On May 13, 1999, the Commission suspended implementation of the new PGA mechanism until the issues are addressed (Decision No. 61701).
 4. The new 12-month rolling average PGA mechanism is being implemented to address issues including natural gas price volatility, gas cost recovery flexibility, and uniformity between PGA mechanisms.
 5. On July 15, 1999, Citizens made a filing to amortize the existing PGA bank balance and the correction for accounting errors, as well as to implement the new PGA mechanism. As of April 30, 1999, the PGA bank balance was over-collected by \$12,635, not accounting for two errors that have been discovered which impact the PGA bank balance.
- ...

1 6. First, Citizens had been using the number of therms purchased, rather than the num^b
2 of therms sold, to calculate the amount of money that has been recovered each month through the bank
3 cost of gas. The base cost of gas is contained in the tariffed rates and credited to the PGA bank
4 balance. Because Citizens purchases more therms than it sells, this error overstated the amount of
5 money coming into the PGA bank balance account each month. This error continued until the end of
6 December 1996, resulting in a total overstatement of \$1,138,769 in the PGA bank balance, due to this
7 error.

8 7. The second error involves the base cost of gas that is included in Citizens' tariffed rates.
9 In the Santa Cruz Gas Division's last rate proceeding, the Commission required that Citizens express
10 its base cost of gas on a per therm basis, rather than on the then existing cost of \$0.35168 per 100 cubic
11 feet (Decision No. 55535, April 23, 1987). The base cost of gas should have been set at \$0.38840 per
12 therm as a result of the conversion from cubic feet to therms. However, the base cost of gas included
13 in Citizens' filed tariffs was erroneously set at \$0.33804 per therm. This error did not impact Citizens'
14 tariffed rates that went into effect as a result of Decision No. 55535.

15 8. However, the error did result in \$0.05036 per therm sold being accounted for as general
16 revenue, rather than being credited to the PGA bank balance. This error continued until the end of
17 April 1999, resulting in a total understatement of the PGA bank balance of \$3,051,183, due to this
18 error. The combination of the two errors resulted in a total understatement of the PGA bank balance
19 of \$1,912,415. Therefore, the corrected bank balance as of April 30, 1999 reflects an overcollection
20 of \$1,925,050.

21 9. In recent months Staff, Citizens, and the Residential Utility Consumer Office (RUCO)
22 have held discussions regarding the issues surrounding the Santa Cruz PGA bank balance. As a result
23 of these discussions, Staff, Citizens, and RUCO have reached a settlement agreement (see the attached
24 Exhibit A). The settlement agreement contains a number of provisions to address the Santa Cruz PGA
25 bank balance.

26 10. A refund, in the form of a check, will be made to each customer, based upon customer
27 consumption from September 1998 to August 1999.

28 ...

1 11. The settlement agreement provides for an interest component to be applied to the
2 cumulative monthly error in the PGA bank balance, for the period of August 1987 through August
3 1999. The interest rate would be six percent annually, compounded annually, resulting in a total of
4 \$720,854 in interest over the August 1987 to August 1999 period. The uncorrected PGA bank balance
5 overcollection of \$12,635 as of April 30, 1999, will be included in the refund.

6 12. To cover the additional cost of administering the refund, Citizens will be allowed an
7 administration fee of one percent of the total refund, or \$26,459. After subtracting Citizens'
8 administrative fee, the resulting total refund amount is \$2,619,445.

9 13. Based on the number of customers in the Santa Cruz Division and recent consumption
10 patterns, a typical residential customer would get a refund of approximately \$280 and a typical
11 commercial customer would get a refund of approximately \$1,400. Individual refunds will vary
12 depending upon the number of therms consumed from September 1998 to August 1999.

13 14. It will take approximately eight weeks for Citizens to distribute the refund checks.
14 Refund checks not cashed within six months of issuance will be credited to the new PGA bank
15 balance. No funds refunded by Citizens as a result of this proceeding may be recovered by Citizens
16 in future rate proceedings.

17 15. The settlement agreement indicates that the new tariff pages, implementing the new PGA
18 mechanism, will be effective for September billings. However, after further discussion with Citizens
19 and RUCO, it appears that it may be difficult for Citizens to implement the new mechanism for
20 September billings and that implementation in October would be preferable. Implementing the new
21 PGA mechanism in October would also provide Citizens with time to notify its customers of the
22 changes before they take effect. The new 12-month rolling average PGA mechanism should be
23 implemented beginning with October billings.

24 16. Any over or undercollections in Citizens PGA from May 1999 through September 1999
25 will be rolled into the new PGA bank balance.

26 17. Citizens will file its new monthly PGA rate with the Commission each month by the
27 beginning of the month to which the rate is applicable.

28 ...

1 18. Citizens will send a notice to all customers, informing them of the refund and the r
2 PGA mechanism, in the customers' September billings.

3 19. Staff believes the proposed settlement agreement is a fair and reasonable resolution to
4 issues surrounding the disposition of the overcollection in the Santa Cruz Division's PGA bank
5 balance. Staff has recommended approval of the settlement agreement.

6 20. Commission approval of the settlement agreement does not preclude further investigation
7 of the events that led to the overcollection, and from pursuing appropriate sanctions if warranted.

8 21. Staff has further recommended that the new PGA mechanism be implemented beginning
9 with Citizens' October billings.

10 CONCLUSIONS OF LAW

11 1. Citizens is an Arizona public service corporation within the meaning of Article XV,
12 Section 2, of the Arizona Constitution.

13 2. The Commission has jurisdiction over Citizens and over the subject matter of the
14 application.

15 3. The Commission, having reviewed the application, Staff's Memorandum and Exhibit A
16 dated August 16, 1999, concludes that it is in the public interest to approve the filing.

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ORDER

THEREFORE, IT IS ORDERED that the settlement agreement, Exhibit A, is hereby approved and adopted.

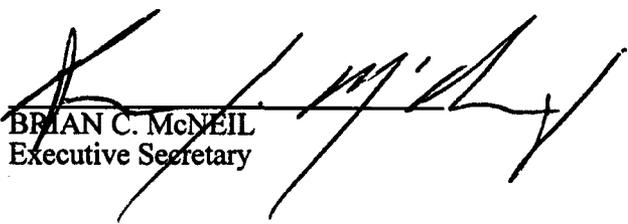
IT IS FURTHER ORDERED that the new PGA mechanism be implemented beginning with Citizens' October billings.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

		
CHAIRMAN	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 27th day of August, 1999.



BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

RTW:BGG:lh

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
COMMISSIONER-CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

DOCKET NO. G-00000C-98-0568

IN THE MATTER OF THE APPLICATION
OF CITIZENS UTILITIES COMPANY TO
AMORTIZE THE PURCHASED GAS
ADJUSTER BANK BALANCE

**SETTLEMENT AGREEMENT
BETWEEN COMMISSION STAFF,
RESIDENTIAL UTILITY
CONSUMER OFFICE AND
CITIZENS UTILITIES COMPANY**

On July 15, 1999, Citizens Utilities Company ("Citizens") filed in this Docket a calculation that detailed a \$1,912,415 understatement of Citizens' Santa Cruz Gas Division PGA bank balance. Citizens also filed proposed original tariff sheet No. 101 and proposed rate schedule N-15. By a filing on July 28, 1999, Citizens corrected proposed rate schedule N-15. Through these filings, Citizens propose to flow back the \$1,912,415 amount to its Santa Cruz gas customers as bill credits over a 12-month period beginning September 1999.

The Arizona Corporation Commission Staff ("Staff") the Residential Utility Consumer Office ("RUCO"), and Citizens have engaged in settlement discussions concerning Citizens' July 15 and July 28 filings and now agree as follows concerning refunds of Citizens' miscalculated PGA bank balance to its Santa Cruz County gas customers:

1. The refund will include interest at six percent per year, compounded annually, on the cumulative monthly error, beginning with the first month of the error, August 1987. Attachment A to this Agreement details the calculation of cumulative interest, as of the end of August 1999, of \$720,854 and Attachment B details the total amount to be refunded. The \$12,635 over-collected balance in Citizens' previous PGA bank as of April 30, 1999, is included in the customer refund amount shown on Attachment B.

1 DATED August 13, 1999

2
3 Staff of the Arizona Corporation Commission

4
5 By: RAY T. WILLIAMSON

6 Title: ACTING DIRECTOR
UTILITIES DIVISION, ACC

7
8 Residential Utility Consumer Office

9
10 By: Barbara W. J. Tacke

11 Title: Deputy Director

12
13 Citizens Utilities Company

14 By: Daniel J. McCarthy CAM

15 Title: Vice President

SCGD PGA Computational Errors					
Accrual of Interest - 6% Compounded Annually					
Month	Error Amount	Cumulative Error	Interest at 6%	Cumulative Interest	Compound Interest
1987 -					
Aug.	(3,778)	(3,778)	19	19	
Sept.	(6,014)	(9,791)	49	68	
Oct.	(1,946)	(11,737)	59	127	
Nov.	65,473	53,735	(269)	(142)	
Dec.	39,666	93,402	(467)	(609)	(15)
	93,402				
1988 -					
Jan.	(4,125)	89,277	(446)	(1,071)	
Feb.	(77,743)	11,534	(58)	(1,128)	
Mar.	(45,009)	(33,475)	167	(961)	
Apr.	738	(32,737)	164	(797)	
May	(26,119)	(58,857)	294	(503)	
June	(11,816)	(70,672)	353	(150)	
July	(15,116)	(85,788)	429	279	
Aug.	1,473	(84,315)	422	701	
Sep.	(5,246)	(89,560)	448	1,149	
Oct.	23,496	(66,065)	330	1,479	
Nov.	81,832	15,767	(79)	1,400	
Dec.	7,268	23,035	(115)	1,285	77
	(70,366)				
1989 -					
Jan.	(66,803)	(43,767)	219	1,581	
Feb.	(87,688)	(131,455)	657	2,238	
Mar.	(27,959)	(159,414)	797	3,035	
Apr.	(15,300)	(174,714)	874	3,909	
May	(17,780)	(192,494)	962	4,871	
June	(10,568)	(203,062)	1,015	5,887	
July	(2,672)	(205,734)	1,029	6,915	
Aug.	8,561	(197,173)	986	7,901	
Sep.	(14,471)	(211,643)	1,058	8,959	
Oct.	10,942	(200,702)	1,004	9,963	
Nov.	51,328	(149,374)	747	10,710	
Dec.	43,583	(105,791)	529	11,239	674
	(128,826)				
1990 -					
Jan.	(17,104)	(122,895)	614	12,527	

Feb.	(31,137)	(154,032)	770	13,298	
Mar.	(74,677)	(228,709)	1,144	14,441	
Apr.	(82,109)	(310,818)	1,554	15,995	
May	(5,984)	(316,802)	1,584	17,579	
June	5,126	(311,676)	1,558	19,138	
July	26,795	(284,881)	1,424	20,562	
Aug.	(32,070)	(316,952)	1,585	22,147	
Sep.	(47,547)	(364,498)	1,822	23,969	
Oct.	1,968	(362,530)	1,813	25,782	
Nov.	32,666	(329,864)	1,649	27,431	
Dec.	114,804	(215,060)	1,075	28,506	1,710
	(109,270)				
1991 -					
Jan.	36,684	(178,376)	892	31,109	
Feb.	(107,113)	(285,489)	1,427	32,536	
Mar.	5,736	(279,754)	1,399	33,935	
Apr.	(117,895)	(397,649)	1,988	35,923	
May	(33,154)	(430,803)	2,154	38,077	
June	(23,050)	(453,853)	2,269	40,346	
July	(14,319)	(468,172)	2,341	42,687	
Aug.	(3,854)	(472,026)	2,360	45,047	
Sep.	(9,876)	(481,902)	2,410	47,457	
Oct.	17,302	(464,600)	2,323	49,780	
Nov.	88,550	(376,049)	1,880	51,660	
Dec.	(52,977)	(429,027)	2,145	53,805	3,228
	(213,966)				
1992 -					
Jan.	(155,385)	(584,411)	2,922	59,956	
Feb.	(65,537)	(649,949)	3,250	63,205	
Mar.	49,295	(600,654)	3,003	66,209	
Apr.	(105,018)	(705,672)	3,528	69,737	
May	(57,575)	(763,247)	3,816	73,553	
June	(16,358)	(779,605)	3,898	77,451	
July	(21,726)	(801,331)	4,007	81,458	
Aug.	17,135	(784,196)	3,921	85,379	
Sep.	29,516	(754,680)	3,773	89,152	
Oct.	12,539	(742,141)	3,711	92,863	
Nov.	78,310	(663,831)	3,319	96,182	
Dec.	35,963	(627,868)	3,139	99,322	5,959
	(198,841)				
1993 -					
Jan.	(27,610)	(655,478)	3,277	108,558	
Feb.	899	(654,579)	3,273	111,831	

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Mar.	(91,195)	(745,774)	3,729	115,560	
Apr.	(30,455)	(776,229)	3,881	119,441	
May	22,608	(753,621)	3,768	123,209	
June	(11,591)	(765,212)	3,826	127,035	
July	(23,364)	(788,576)	3,943	130,978	
Aug.	(12,640)	(801,216)	4,006	134,984	
Sep.	(7,956)	(809,172)	4,046	139,030	
Oct.	7,953	(801,218)	4,006	143,036	
Nov.	23,748	(777,470)	3,887	146,924	
Dec.	(875)	(778,345)	3,892	150,815	9,049
	(150,477)				
1994 -					
Jan.	150,540	(627,804)	3,139	163,003	
Feb.	8,097	(619,708)	3,099	166,102	
Mar.	(49,283)	(668,990)	3,345	169,447	
Apr.	(84,447)	(753,438)	3,767	173,214	
May	(94,567)	(848,005)	4,240	177,454	
June	(17,817)	(865,822)	4,329	181,783	
July	(22,272)	(888,094)	4,440	186,224	
Aug.	(19,399)	(907,493)	4,537	190,761	
Sep.	(7,357)	(914,851)	4,574	195,335	
Oct.	(17,954)	(932,805)	4,664	199,999	
Nov.	67,642	(865,163)	4,326	204,325	
Dec.	90,227	(774,937)	3,875	208,200	12,492
	3,408				
1995 -					
Jan.	95,768	(679,169)	3,396	224,088	
Feb.	28,365	(650,804)	3,254	227,342	
Mar.	(34,899)	(685,703)	3,429	230,770	
Apr.	(97,711)	(783,414)	3,917	234,687	
May	(92,178)	(875,593)	4,378	239,065	
June	(41,697)	(917,290)	4,586	243,652	
July	(25,703)	(942,993)	4,715	248,367	
Aug.	(14,899)	(957,892)	4,789	253,156	
Sep.	(24,288)	(982,180)	4,911	258,067	
Oct.	30,034	(952,146)	4,761	262,828	
Nov.	150,021	(802,125)	4,011	266,838	
Dec.	42,411	(759,714)	3,799	270,637	16,238
	15,223				
1996 -					
Jan.	(123,064)	(882,777)	4,414	291,289	
Feb.	(56,343)	(939,121)	4,696	295,985	
Mar.	117,043	(822,077)	4,110	300,095	
Apr.	(141,176)	(963,253)	4,816	304,911	

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May	(115,315)	(1,078,568)	5,393	310,304	
June	(7,544)	(1,086,112)	5,431	315,735	
July	(38,931)	(1,125,044)	5,625	321,360	
Aug.	2,321	(1,122,723)	5,614	326,974	
Sep.	(50,570)	(1,173,293)	5,866	332,840	
Oct.	(46,441)	(1,219,733)	6,099	338,939	
Nov.	48,707	(1,171,026)	5,855	344,794	
Dec.	(51,085)	(1,222,111)	6,111	350,904	21,054
	(462,398)				
1997 -					
Jan.	(43,804)	(1,265,915)	6,330	378,288	
Feb.	(43,558)	(1,309,473)	6,547	384,836	
Mar.	(33,208)	(1,342,681)	6,713	391,549	
Apr.	(19,753)	(1,362,435)	6,812	398,361	
May	(14,519)	(1,376,953)	6,885	405,246	
June	(9,678)	(1,386,632)	6,933	412,179	
July	(9,156)	(1,395,788)	6,979	419,158	
Aug.	(7,926)	(1,403,714)	7,019	426,177	
Sep.	(8,922)	(1,412,636)	7,063	433,240	
Oct.	(9,904)	(1,422,541)	7,113	440,352	
Nov.	(18,194)	(1,440,735)	7,204	447,556	
Dec.	(34,854)	(1,475,588)	7,378	454,934	27,296
	(253,477)				
1998 -					
Jan.	(53,905)	(1,529,494)	7,647	489,878	
Feb.	(57,191)	(1,586,685)	7,933	497,811	
Mar.	(38,299)	(1,624,984)	8,125	505,936	
Apr.	(29,494)	(1,654,478)	8,272	514,208	
May	(18,315)	(1,672,794)	8,364	522,572	
June	(10,970)	(1,683,764)	8,419	530,991	
July	(9,654)	(1,693,418)	8,467	539,458	
Aug.	(8,693)	(1,702,111)	8,511	547,969	
Sep.	(8,700)	(1,710,810)	8,554	556,523	
Oct.	(9,674)	(1,720,485)	8,602	565,125	
Nov.	(10,438)	(1,730,922)	8,655	573,780	
Dec.	(38,036)	(1,768,958)	8,845	582,625	34,957
	(293,370)				
1999 -					
Jan.	(45,424)	(1,814,382)	9,072	626,654	
Feb.	(36,932)	(1,851,314)	9,257	635,911	
Mar.	(30,290)	(1,881,603)	9,408	645,319	
Apr.	(30,811)	(1,912,415)	9,562	654,881	
May		(1,912,415)	9,562	664,443	
June		(1,912,415)	9,562	674,005	

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July		(1,912,415)	9,562	683,567	
Aug.		(1,912,415)	9,562	693,129	27,725
	(143,457)		560,408	720,854	

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