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January 29, 1999

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Ray Williamson, Acting Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

DC

G-000000-98-0568

Dear Mr. Williamson:

In compliance with the Order in Decision No. 61225, Black Mountain Gas, a division of Northern States Power - Gas Utility, respectfully submits to the Arizona Corporation Commission ("ACC") the necessary proposed tariff pages and report formats required to implement the new PGA mechanism.

Schedule 1 contains the proposed PGA tariff pages, Schedule 2 contains the proposed monthly report formats and Schedule 3 includes the proposed customer education plan.

Black Mountain Gas believes the supplied information fulfills the compliance requirements. Please direct any questions regarding this filing to Ms. Jamie Seitz at 651-229-2523.

Respectfully Submitted,

*Dennis C. Fulton*  
(TD)

Dennis C. Fulton, Director  
Gas Finance, Planning and Rates

Arizona Corporation Commission  
DOCKETED

FEB 03 1999

DOCKETED BY CW

cc: Docket Control




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**PURCHASED GAS ADJUSTMENT CLAUSE**


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**1. Purchased Gas Adjustment (PGA)**

The Purchased Gas Adjustment (PGA) will be equal to the Current Cost of Gas Supply less the Base Cost of Gas Supply multiplied by the monthly billing terms. It is recalculated monthly and is subject to change anytime it deviates within +/- \$0.07 per therm from the PGA rate in effect during any of the preceding 12 months, unless authorized by the Commission.


**1 CURRENT COST OF GAS SUPPLY**

The Current Cost of Gas Supply per therm is based upon the rolling twelve month average of actual gas supply and transportation costs and sales.

**1 BASE COST OF GAS SUPPLY**

The monthly Base Cost of Gas for each rate schedule is \$0.27 per therm.

**1 BANK BALANCE**

The Company shall maintain an account to assure that it will neither over or under collect gas costs, except to the extent authorized, as a result of adjustment in rates determined under the operation of this tariff. Entries shall be made monthly to reflect the amounts paid to suppliers for gas as recorded in the FERC series of accounts numbered 800 through 806, less the Base Cost of such gas (adjusted volumes multiplied by the Base Price) and revenues produced by the operation of this tariff and any other refunds or payments authorized by the Commission. Interest will be applied to over and under collected bank balances based on the non-financial 3-month commercial paper rate for each month, contained in the Federal Reserve Statistical Release, G-13, or its successor publication.

**1 MONTHLY INFORMATION FILING**

Each month, the Company shall make a cost of gas information filing that shall include gas volumes and costs by supply source; supplier refunds, credits, and billing adjustments. Each filing shall include monthly sales revenues, volumes, and number of customers by class. The filing shall also include historical summaries of 12 months of actual purchase gas volumes, costs and sales activity to support the computation of the monthly PGA rate.

**1 ADDITIONAL REQUIREMENTS**

A special PGA review is required if the PGA bank balance reaches an over or under collection in the amount of \$180,000. The Company must file an application for an adjustment within 45 days of completing the Monthly Informational Filing that illustrates the threshold has been exceeded or contact the Commission to discuss why a PGA rate adjustment is not necessary at this time. The Commission, upon review, may authorize the balance to be amortized through a pre-determined rate included as part of the PGA for a specified period.

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 Date Filed: 1-29-99

 By: James H. Willson  
 General Manager

Effective Date:

Decision #

Order Date:




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**PURCHASED GAS ADJUSTMENT CLAUSE**


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**1. Purchased Gas Adjustment (PGA)**

The Purchased Gas Adjustment (PGA) will be equal to the Current Cost of Gas Supply less the Base Cost of Gas Supply multiplied by the monthly billing terms. It is recalculated monthly and is subject to change anytime it deviates within +/- \$0.12 per therm from the PGA rate in effect during any of the preceding 12 months, unless authorized by the Commission.

**1 CURRENT COST OF GAS SUPPLY**

The Current Cost of Gas Supply per therm is based upon the rolling twelve month average of actual gas supply and transportation costs and sales.

**1 BASE COST OF GAS SUPPLY**

The monthly Base Cost of Gas for each rate schedule is \$0.35 per therm.

**1 BANK BALANCE**

The Company shall maintain an account to assure that it will neither over or under collect gas costs, except to the extent authorized, as a result of adjustment in rates determined under the operation of this tariff. Entries shall be made monthly to reflect the amounts paid to suppliers for gas as recorded in the FERC series of accounts numbered 800 through 806, less the Base Cost of such gas (adjusted volumes multiplied by the Base Price) and revenues produced by the operation of this tariff and any other refunds or payments authorized by the Commission. Interest will be applied to over and under collected bank balances based on the non-financial 3-month commercial paper rate for each month, contained in the Federal Reserve Statistical Release, G-13, or its successor publication.

**1 MONTHLY INFORMATION FILING**

Each month, the Company shall make a cost of gas information filing that shall include gas volumes and costs by supply source; supplier refunds, credits, and billing adjustments. Each filing shall include monthly sales revenues, volumes, and number of customers by class. The filing shall also include historical summaries of 12 months of actual purchase gas volumes, costs and sales activity to support the computation of the monthly PGA rate.

**1 ADDITIONAL REQUIREMENTS**

A special PGA review is required if the PGA bank balance reaches an over or under collection in the amount of \$60,000. The Company must file an application for an adjustment within 45 days of completing the Monthly Informational Filing that illustrates the threshold has been exceeded or contact the Commission to discuss why a PGA rate adjustment is not necessary at this time. The Commission, upon review, may authorize the balance to be amortized through a pre-determined rate included as part of the PGA for a specified period.

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BANK BALANCE FORMAT  
 MONTH OF DECEMBER 1998

LINE NO.

1	BEGINNING BANK BALANCE		\$	_____
2	COST OF PURCHASED GAS (EXHIBIT B, LINE 20)	\$		
3	TRANSPORTATION COSTS (EXHIBIT B, LINE 21)		\$0.00	_____
4	TOTAL COST TO BE RECOVERED (1+2+3)			_____ \$0.00
5	SALES - THERMS (EXHIBIT B, LINE 6)		0	
6	BASE PERIOD FUEL COST PER THERM		\$0.2700	_____
7	AMOUNT RECOVERED BY BASE PERIOD GAS COSTS (5 X 6)			_____ \$0.00
8	SALES - THERMS (EXHIBIT B, LINE 6)		0	
9	ROLLING AVERAGE P/GA-PER THERM (EXHIBIT C, LINE 17)		\$0.0506	_____
10	AMT. RECOVERED FROM ROLLING AVG (8 X 9)			_____ \$0.00
11	TOTAL AMOUNT RECOVERED (7 + 10)			_____ \$0.00
12	ADJUSTMENTS (PLEASE ATTACH EXHIBIT)	A	\$	_____
13	MONTHLY SUBTOTAL (4-11+ OR - 12)			_____ \$0.00
14	MONTHLY INTEREST @ 7.77%(LINE 1 * RATE)/12 MONTHS		\$	_____
15	END OF MONTH BANK BALANCE (13 + OR - 14)			_____ \$0.00

A Please attach schedule indicating the exact nature of adjustment and if applicable calculation of adjustment.

01000-20000-0115

COMPANY NAME: Black Mountain Gas  
Decision Number: 61225  
Sample Report

Schedule 2  
Page 2 of 3

SALES - PURCHASES DATA  
MONTH OF DECEMBER 1989

LINE  
NO.

SALES (THERMS)		
1	RESIDENTIAL	
2	COMMERCIAL	
3	INDUSTRIAL	
4	IRRIGATION	
5	MUNICIPALITY	
6	TOTAL SALES (THERMS)	_____
SALES (DOLLARS)		
7	RESIDENTIAL	
8	COMMERCIAL	
9	INDUSTRIAL	
10	IRRIGATION	
11	MUNICIPALITY	
12	TOTAL SALES (DOLLARS)	\$ _____
NUMBER OF CUSTOMERS		
13	RESIDENTIAL	
14	COMMERCIAL	
15	INDUSTRIAL	
16	IRRIGATION	
17	MUNICIPALITY	
18	TOTAL CUSTOMERS	_____
19	PURCHASES (THERMS)	_____
20	PURCHASES (DOLLARS)	\$ _____
21	TRANSPORTATION COSTS	\$ _____

COMPANY NAME: Black Mountain Gas  
Decision Number: 61225  
Sample Report

PGA ROLLING AVERAGE CALCULATIONS  
MONTH OF **DECEMBER 1988**

LINE NO.	DATE	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
		MONTHLY COMMODITY COST INVOICED	MONTHLY TRANSPORTATION COST INVOICED	MONTHLY TOTAL GAS COST	PURCHASED THERMS	PURCHASED PER THERM COST	MONTHLY SALES THERMS	12 MTH ENDING COMMODITY COST INVOICED	12 MTH ENDING TRANSPORTATION COST INVOICED	12 MTH ENDING TOTAL GAS COST	12 MTH ENDING SALES THERMS	MONTHLY TOTAL GAS COST PER THERM SOLD	12 MONTH ENDING ROLLING AVERAGE TOTAL GAS COST PER THERM SOLD
1	JAN 1988	\$1,000,000	\$250,000	\$1,250,000	4,250,000	\$0.2941	4,000,000	\$9,000,000	\$3,000,000	\$12,000,000	39,000,000	\$0.3125	\$0.3077
2	FEB	\$900,000	\$250,000	\$1,150,000	4,000,000	\$0.2875	3,750,000	\$8,100,000	\$3,000,000	\$11,100,000	36,000,000	\$0.3067	\$0.3184
3	MAR	\$800,000	\$250,000	\$1,050,000	3,750,000	\$0.2800	3,500,000	\$8,900,000	\$3,000,000	\$11,900,000	38,500,000	\$0.3000	\$0.3091
4	APR	\$700,000	\$250,000	\$950,000	3,500,000	\$0.2714	3,250,000	\$9,200,000	\$3,000,000	\$12,200,000	40,000,000	\$0.2923	\$0.3050
5	MAY	\$700,000	\$250,000	\$950,000	3,500,000	\$0.2714	3,150,000	\$9,175,000	\$3,000,000	\$12,175,000	39,500,000	\$0.3016	\$0.3082
6	JUN	\$600,000	\$250,000	\$850,000	2,750,000	\$0.3091	2,500,000	\$9,000,000	\$3,000,000	\$12,000,000	39,002,500	\$0.3400	\$0.3077
7	JUL	\$600,000	\$250,000	\$850,000	2,750,000	\$0.3091	2,300,000	\$9,300,000	\$3,000,000	\$12,300,000	39,800,000	\$0.3696	\$0.3080
8	AUG	\$600,000	\$250,000	\$850,000	2,750,000	\$0.3091	2,350,000	\$9,100,000	\$3,000,000	\$12,100,000	39,750,000	\$0.3617	\$0.3044
9	SEP	\$700,000	\$250,000	\$950,000	3,500,000	\$0.2714	2,500,000	\$9,050,000	\$3,000,000	\$12,050,000	39,000,000	\$0.3800	\$0.3080
10	OCT	\$800,000	\$250,000	\$1,050,000	3,750,000	\$0.2800	3,000,000	\$9,175,000	\$3,000,000	\$12,175,000	38,005,000	\$0.3500	\$0.3204
11	NOV	\$900,000	\$250,000	\$1,150,000	4,000,000	\$0.2875	3,500,000	\$9,125,000	\$3,000,000	\$12,125,000	31,800,000	\$0.3266	\$0.3587
12	DEC	\$1,000,000	\$250,000	\$1,250,000	4,250,000	\$0.2941	4,250,000	\$9,200,000	\$3,000,000	\$12,200,000	38,050,000	\$0.2941	\$0.3206

12 MONTH ENDING ROLLING AVERAGE TOTAL GAS COST PER THERM SOLD \$0.3206  
 BASE COST OF GAS PER THERM \$0.2700  
 PGA ROLLING AVERAGE PER THERM \$0.0506 (2)

Highest PGA Rate Per Therm - Previous 12 Months \$0.0687  
 Lowest PGA Rate Per Therm - Previous 12 Months \$0.0344  
 March 1988 PGA Rate \$0.0506 (2)

(2) Although the PGA rate can fluctuate monthly, the Commission has established that the new PGA rate for the month cannot be more than \$0.07 per therm different than the PGA rate in effect during any of the preceding 12 months.

Natural gas companies in Arizona purchase natural gas supplies from supply basins in New Mexico and Texas to meet their customers' energy needs. Natural gas is shipped over interstate pipelines and delivered onto the local natural gas company's system to distribute to Arizona customers. The price which local natural gas companies pay for natural gas can vary significantly from month to month and from year to year. To avoid filing for rate changes every time the cost of natural gas changes, natural gas companies have an accounting mechanism called a purchase gas adjustor (PGA). This mechanism allows natural gas companies to pass through to their customers the cost of natural gas supplies, subject to review by the Arizona Corporation Commission (ACC), the state agency which regulates utility companies. A PGA rate is added onto the basic rate the customer is charged per therm. The PGA rate may be a surcharge or a credit, depending upon the changing cost of natural gas.

In recent years natural gas prices have been volatile and the ACC has received numerous complaints from customers who have seen their bills vary dramatically on a monthly and/or annual basis. In response to these customer concerns, the ACC investigated the PGA mechanism used by Arizona natural gas companies. The ACC concluded that changes should be made to the PGA mechanisms used by Arizona natural gas companies. The revisions to the PGA mechanisms will not change the actual cost of gas passed through to Arizona customers, but will attempt to reduce the volatility seen by Arizona customers on their monthly bills.

Major features of the new PGA mechanism are as follows:

- 11 The PGA rate will change monthly,
- 21 The monthly PGA rate will be calculated based on the average cost of natural gas paid by the local natural gas company in the most recent twelve (12) month period,
- 31 The PGA rate will be banded, so that it cannot change more than \$0.07 per therm (\$0.12 per therm for propane) during any twelve (12) month period, and
- 41 The new PGA mechanism will be implemented beginning with customer bills dated June 1, 1999.

As a natural gas company in the state of Arizona, Black Mountain Gas will be incorporating these revisions in compliance with state regulations. Our ongoing commitment is to provide you with low-cost, safe, reliable energy.