



PRELIMINARY STATEMENT

Sheet 1

IV. BALANCING ACCOUNT
REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)

1. Purpose

The purpose of the Rewards and Penalties Balancing Account is to record the Utility's rewards, penalties and PBR revenue sharing. In accordance with AL 1957-G, the RPBA shall record the ratepayer's allocation of gross revenues associated with its non-tariffed Movers Service Program (MSP).

The RPBA shall have two subaccounts: 1) Rewards and Penalties (R&P) and 2) Non-tariffed Products & Services (NTP&S).

2. Applicability

This account shall apply to all gas services that are within the jurisdiction of the Commission.

3. Rates

The projected year-end account balance will be applied to gas rates as described in item 5. below.

4. Accounting Procedure – R&P Subaccount

This account shall reflect the following periodic entries:

a. A debit entry equal to the gas authorized amounts for each of the following items:

- (1) Rewards allocated to the Gas Department as a result of the PBR Base Rates Mechanism and its successor, the Distribution PBR;
- (2) Rewards allocated to the Gas Department as a result of the Utility's Annual Earnings Assessment Proceeding ("AEAP"), net of the rewards included in current gas rates.
- (3) Rewards allocated to the Gas Department as a result of the sharing mechanism for under-expenditures in the Advanced Metering Infrastructure (AMI) project pursuant to the settlement adopted in D.07-04-043.

b. A credit entry equal to the gas authorized amounts for each of the following items:

- (1) Penalties allocated to the Gas Department as a result of the PBR Base Rates Mechanism and its successor, the Distribution PBR;
- (2) Penalties allocated to the Gas Department as a result of the Utility's AEAP, net of the penalties included in current gas rates; and
- (3) Revenue allocated to the Gas Department from the revenue sharing portion of the PBR Base Rates Mechanism and its successor, the Distribution PBR.
- (4) Costs allocated to the Gas Department as a result of the sharing mechanism for over-expenditures in the Advanced Metering Infrastructure (AMI) project pursuant to the settlement adopted in D.07-04-043.

(Continued)

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Issued by

Date Filed

Mar 30, 2012

Advice Ltr. No. 2101-G

Lee Schavrien

Effective

Apr 29, 2012

Senior Vice President

Decision No. _____

Resolution No. _____

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PRELIMINARY STATEMENT

Sheet 2

**IV. BALANCING ACCOUNT
REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)**

4. Accounting Procedures – R&P Subaccount (Continued)

- c. An entry shall be made to reflect the amount collected from/returned to customers due to the amortization of the prior year ending balance, pursuant to item 5, below.
- d. Each year, as applicable, an entry shall be made for authorized year account balance transfers to the RPBA.
- e. The current month balance shall equal the expenses in 4.a. above less the revenues in 4.b. above, plus or minus any adjustment from 4.c & 4.d.
- f. The accumulated month ending balance shall equal the sum of:
 - (1) the current month's entries from 4.e.;
 - (2) the account balance at the beginning of the month;
 - (3) the Monthly Interest Rate multiplied by one-half of the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

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5. Accounting Procedures – NTP&S Subaccount

This account shall reflect the following periodic entries:

- a. A credit entry for the ratepayers 10% allocation of gross revenues associated with the MSP,
- b. An entry shall be made to amortize the prior year ending balance; and
- c. An entry equal to the Monthly Interest Rate multiplied by one-half of the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

6. Account Disposition

The utility shall file in October of each year an advice letter requesting to apply the projected year-end overcollected or undercollected balance in the R&B Subaccount and/or the overcollected balance in the NTP&S Subaccount as a twelve-month amortization to gas rates effective January 1 of the following year.