



STATE OF CONNECTICUT PUBLIC UTILITIES REGULATORY AUTHORITY

Frequently Asked Questions (FAQs) - Purchased Gas Adjustment Clause (PGA)

1) What is the PGA?

The purchased gas adjustment (PGA) clause is a rate adjustment mechanism first implemented in the 1970s that permits gas companies to directly pass the cost of gas through to their customers in accordance with the General Statutes of Connecticut § 16-19b. In accordance with the statute, gas companies do not earn a profit on the cost of gas; rather, it is a direct pass-through cost to ratepayers. The cost charged to the gas company for its supply is the same cost collected through the PGA. This cost of gas appears as a per CCF amount, or a line item on a customer's bill, identified as a "PGA factor." The PGA factor is explained further below.

2) Why do the LDCs' submit monthly filings in the PGA docket?

The PGA factor is subject to change on a monthly basis because the rate is designed to align the cost of gas with the projected customer usage during the upcoming month; this rate design minimizes the potential for over- or under-collection in any particular month.

3) How do the Gas Companies calculate the monthly PGA factors on customers' bills?

The monthly PGA factors are based on New York Mercantile Exchange (NYMEX) and other indexed purchase points where the gas companies purchase their natural gas supplies. The monthly PGA calculation includes an estimated consumption of gas for all customers based on historical data. The differences between the monthly estimates included in the PGA for both costs and volume of consumption are trued up at the end of the PGA year in the Authority's annual deferred gas costs docket (Docket No. 2X-10-01). Each October, the gas companies submit to the Authority all invoices associated with the purchase of gas and costs associated with providing gas to customers over the course of the PGA year (defined as September 1 – August 31).

4) How is the PGA reviewed by the Authority?

The PGA is reviewed by the Authority in two parts. First, in the monthly PGA factor calculation whereby the Authority verifies that the factors submitted are calculated

correctly and based on reasonable information and assumptions. Second, on an annual basis, the Authority conducts a detailed review and analysis of all the invoices included in the PGA. During its annual review, the Authority analyzes the filings to determine if the annual deferred gas costs are calculated correctly and to confirm that only appropriate costs are recovered through this rate mechanism.

5) What is the annual deferred calculation and why is it needed?

The annual deferred gas cost calculation monitors over- (or under-) collections associated with total annual allowed PGA year revenues and total annual purchased gas costs incurred by the gas companies. The annual deferred factor/calculation reconciles the monthly differences occurring between the actual and estimated gas costs and estimated consumption used in the monthly PGA filings. As a result, the differences between actual and estimated consumption, and the associated costs, used in the monthly PGA produce an annual deferred balance, which is then credited or debited to all customers. The annual deferred balance is applied across the 11 months of the subsequent PGA year (or, October 1 through August 31), based on an estimated and normalized sales forecast, thereby creating the annual deferred factor. Like the monthly PGA factors, the deferred factor is based on an estimate and includes components of previous years' uncollected annual deferred balance

6) How are the Monthly and Annual PGA filings handled administratively by the Authority?

For administrative purposes, each year the Authority opens a PGA docket (Docket No. 2X-10-01) that serves as a repository for the current PGA year's monthly PGA filings from each gas utility, and for the Authority's monthly responses and related inquiries. During the PGA year (September 1 – August 31), the docket activity includes the monthly PGA filings and PURA's response to those filings. In October, gas companies submit their annual PGA filings that include their purchased gas invoices. The Authority's annual PGA docket is an adjudicated proceeding, where the Authority issues interrogatories, convenes evidentiary hearings if necessary or requested, and produces a final decision approving or disapproving the PGA factors and the annual deferred factors.