

**RATE SCHEDULE 1071**  
**SPECIAL TERMS AND CONDITIONS**  
**UNRECOVERED PURCHASED GAS COST ADJUSTMENT**  
**DEFINITIONS, ACCOUNT DESCRIPTIONS, AND ACCOUNTING PROCEDURE**

**Section I - Definitions and General Provisions**

1. Definitions

- (a) "Commission" shall mean or refer to the Corporation Commission of Oklahoma.
- (b) "Company" shall mean or refer to Oklahoma Natural Gas Company
- (c) "Purchased gas adjustment (or PGA) clause" is any mechanism which allows a utility to automatically adjust its charges above or below the base amounts included in its rates, based upon changes in the cost of purchased gas.
- (d) "Unrecovered purchased gas cost (or UPGC)" as used herein shall mean those costs unrecovered during an accounting period through the operation of the PGA clause. Such cost includes amounts applicable to the PGA clause calculations and are not necessarily the same as those used by the utility for its gas purchased expense determination. Unrecovered purchased gas cost shall include the cost to the utility of gas lost or used in operations ("LUFG") and gas cost related bad debts.
- (e) "Unrecovered purchased gas cost adjustment" is an adjustment, either positive or negative, to the utility customers' bills to recover or return the balance which has accumulated in the unrecovered purchased gas cost account described in Section II (1) below.
- (f) Other Adjustments: The Unrecovered Purchased Gas Cost Account may be adjusted directly to account for corrections and adjustments related to prior period purchased gas cost amounts and for unrecovered purchased gas cost related items as well. Such adjustments and corrections shall be strictly limited to gas purchase, purchased gas adjustment, LUFG expense levels in excess of the annual Two Percent (2%) safe harbor or other authorized LUFG recovery amount if expressly disallowed by Commission Order. Other Adjustments shall also include gas cost related bad debts. All adjustments shall be

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subject to Oklahoma Corporation Commission review in the ordinary course of its ongoing fuel audit procedures.

2. Application of Unrecovered Purchased Gas Cost Adjustment Rate

An unrecovered purchased gas cost adjustment rate shall be applied to customers' bills in accordance with the provisions outlined herein. Such adjustment rate shall be combined with the purchased gas adjustment rate under the Company's PGA clause.

**Section II - Account Descriptions and Amounts to be Recorded Therein**

1. Unrecovered Purchased Gas Cost Account

- (a) The unrecovered purchased gas cost account shall be a balance sheet account in which shall be recorded unrecovered purchased gas cost resulting from the application of the Company's PGA clause approved by the Commission.
- (b) This account shall be debited or credited, as appropriate, each month for amounts unrecovered or over recovered through the application of the Company's PGA clause. Offsetting entries shall be made to the purchased gas cost adjustment expense account.
- (c) After a change in the unrecovered purchased gas cost adjustment rate is made in accordance with procedures approved by the Commission, this account shall be debited or credited as appropriate, with offsetting entries to the purchased gas cost adjustment expense account, so that the balance accumulated in this account will be amortized on an appropriate monthly basis. Any over or under applied debits or credits to this account shall be carried forward to the succeeding period of amortization.
- (d) Separate sub-accounts shall be maintained for the amounts relating to the period in which the increase or decrease is accumulated and for the amortization of purchased gas increases or decreases, as applicable, so as to keep the amounts attributable to each period identifiable.
- (e) This account shall be debited or credited as necessary to account for any "Other

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Adjustments" as defined in Section I-1 (f) contained herein. Such adjustments shall conform to the definition of "Other Adjustments" as set out in Section I-1 (f) and be treated as any other entry to this account.

2. Purchased Gas Cost Adjustment Account

- (a) The Purchased Gas Cost Adjustment Account shall be an expense account to reflect the unrecovered purchased gas cost resulting from the application of the Company's PGA clause approved by the Commission.
- (b) This account shall be debited or credited with amounts over recovered or under recovered resulting from the application of a PGA clause.
- (c) This account shall be debited or credited with amounts amortized from the unrecovered purchased gas cost account.

**Section III - Accounting Procedure**

1. Determination of Unrecovered Purchased Gas Cost

Unrecovered purchased gas cost shall be the difference between the purchased gas costs for that accounting month and the actual purchased gas costs collected during that same accounting period.

2. Accounting Entries to Record Unrecovered Purchased Gas Cost

The entry to record the unrecovered purchased gas cost computed pursuant to Section III-1 above shall be a debit (or credit, if appropriate) to the unrecovered purchased gas cost account (the balance sheet account described in Section II-1), with the offsetting entry being made to the purchased gas cost adjustment account (the expense account described in Section II-2).

3. Unrecovered Purchased Gas Cost Accumulation Period

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Amounts determined pursuant to Section III-1 and III-2 above shall be accumulated monthly.

4. Amortization of Accumulated Unrecovered Purchased Gas Cost

- (a) The actual unrecovered purchased gas cost adjustment amortization rate shall be computed by dividing the balance in the unrecovered purchased gas cost account at the end of each month by the estimated applicable utility normalized sales volume for the current twelve month period.
- (b) The rate obtained in Section III-4 (a) above shall be applied to utility sales volumes during the succeeding month, commencing with the effective date of the next monthly adjustment under the utility's PGA clause. The amortization of accumulated unrecovered purchased gas cost rate will be calculated to the nearest one-tenth (0.1) of a cent for all rate schedules. As the rate is applied to sales, the unrecovered purchased gas cost account (the balance sheet account) shall be credited and the purchased gas cost adjustment account (the expense account) shall be debited for amounts recovered. The utility will bi-annually (April and December billing months) set aside any unrecovered purchased gas costs not collected and determine a separate unrecovered purchased gas cost rate to recover the balance over an eight and four month period, respectively.

**Section IV - Provision for Special Purchased Gas Adjustment Programs**

In the event special PGA programs are allowed by the Commission for certain groups of customers or customer classes, separate UPGC calculations shall be made for the special program in a manner consistent with that prescribed in Sections I, II, and III for the general system UPGC. Separate UPGC accounts shall be maintained for such special programs. Reporting for the special programs shall conform to the reporting requirements of the general system PGA clause and be filed with the Commission concurrently with the general market PGA.

**Section V - Provision for Settling Deferred Gas Cost Recovery Balances**

Any natural gas sales customer of the Company who otherwise qualifies and decides to start receiving transportation service pursuant to a transportation tariff shall be billed for any applicable deferred gas cost recovery balance associated with the customer's jurisdictional natural gas sales account upon becoming a transport customer if such balance is greater than \$5,000. This is to ensure that the Company's remaining jurisdictional sales customers are not burdened

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with deferred gas cost recovery balances applicable to usage by the departing sales customer. If the obligation is negative, and such balance is greater than \$5,000, the Company will refund this balance to the customer.

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