



Rates & Regulatory Affairs

ANNUAL COMMISSION BASIS REPORT For the Twelve Months Ended December 31, 2016

Description of Adjustments

- a. Weather Normalization and Gas Costs** - This adjustment approximates the volumetric effects of weather on sales and gas costs and re-prices all volumes at end of period rates.
- b. Miscellaneous Revenue Adjustment** - This adjustment reflects the normalization of other tariffed utility fees and revenues to a historical three-year average.
- c. Bonuses Adjustment** - This adjustment removes the Company's recorded expenses and normalizes levels to a three-year average of actual payments.
- d. Uncollectible Accounts Adjustment** - This adjustment normalizes the test year accrual for Uncollectible expense to a three-year average of actual net bad debt write-offs.
- e. Working Capital Adjustment** - This adjustment develops a return on investments in storage gas inventory and other critical assets necessary to perform the utility function
- f. Advertising & Promotional Adjustment** – This adjustment removes certain advertising, sales and customer communications expenses consistent with the settlement in the Company's last rate case in docket UG-080546.
- g. Claims Adjustment** – This adjustment replaces accrued expenses with actual claims paid and adjusts extraordinary claims to a historical three-year average.