Cost of Gas Rider

Applicability

This rider is applicable to the RS, GSS, GSL, GSTE, SGS, KGSSD, GIS and SSR rate schedules. In addition, certain provisions of this rider may be applicable to customers taking service under Company's transportation rate schedules. Service is subject to the Definitions and Conditions section below**.**

Net Monthly Charge

1. All factors shall be calculated to the nearest $0.0001/Mcf. All charges set forth in the rate schedule under which the customer takes service shall also apply.
2. The Net Monthly Gas Charge shall be the charges, if any, for the volume (in Mcf) of sales service gas delivered to a customer during the billing period multiplied by the Net Gas Cost (NGC) on a rate area specific basis.
3. A separate monthly NGC shall be calculated for natural gas sold to the Company's Gas Irrigation Sales Service (GIS) customers which are served from a gas gathering system upon which they cannot transport and upon which the source of gas is limited to unprocessed supplies coming from wells connected to the gas gathering system.
    a. During the billing months of March through October, this separate NGC shall include only costs attributable to the specific gas supply, which the systemwide NGC shall not include. Notwithstanding other provisions of this Rider, this separate NGC shall not include charges or credits for unrelated supplier refunds, capacity release, as-available gas sales, line losses or the Gas Hedge Program.
    b. In the billing months of November through February, all customers shall be charged the systemwide NGC.
    c. Annual unrecovered gas billings attributable to customers served by this separate NGC shall be combined with the corresponding systemwide costs to calculate a systemwide uncollectible factor, which shall be a part of the separate NGC during the billing months of March through October.
4. Line Loss Limitation: In the event the line loss factor for the Computation Year exceeds the limit value of 4.00%, the Company shall compute the Base Gas Cost (BGC) using the 4.00% limit value rather than the actual value.

Cost of Gas Rider

5. NGC shall be the sum of all factors described in this rider as determined by the formula:

NGC = BGC + ACA + SR + OC

Where:

BGC = Base Gas Cost. BGC shall be the projected weighted average cost of gas (per Mcf) purchased by Company from all supply sources. The annual projection and any revised projections throughout the Computation Year shall be calculated according to the formula:

$$\frac{P + E + S + G}{(.01)\ V}$$

Where:

P = The estimated total dollar cost of gas to be sold calculated by summing the products of: the most recent unit cost of purchased gas from each supplier and the estimated purchase volumes from each supplier, and the most recent unit cost of transportation services, as defined in 18 CFR 284 or as approved by the Commission, and the estimated transportation service to be purchased from each supplier.

This amount shall be reduced by the estimated dollar Cost of Gas Offsets from the As-Available Gas Sales schedule.

In the event that changes in the rates paid for purchased gas will take place within the Computation Year, as specified by contract provisions currently in effect, the estimated unit cost of purchased gas from each supplier or the estimated average unit cost of transportation services for the Computation Year may be used in the calculation in place of the most recent unit cost.

E = The estimated (positive or negative) net cost of exchange gas transactions expected to occur during the Computation Year. This item shall not include transactions related to gas in storage.

S = The estimated cost of gas to be withdrawn from storage and sold, during the Computation Year.

G = Estimated costs for gathering services provided to Company during the Computation Year.

V = The estimated volume of sales service gas in Mcf for the Computation Year.

ACA = Actual Cost Adjustment. The annual difference, if any, between the BGC projected for the preceding Computation Year and actual recoveries of costs of gas to meet sales service requirements shall be charged or credited through the ACA Factor.

Cost of Gas Rider

a. The monthly differences between the BGC projected and actual recoveries of cost of gas shall be summed to produce a cumulative total under/over recovered cost at the end of each Computation Year. This balance, divided by the total volumes of sales service gas delivered during the preceding Computation Year, shall be the ACA Factor.

   (1) Actual cost of gas shall exclude refunds.

   (2) Cost of Gas recovered shall be the sum of BGC, ACA, and the actual Cost of Gas Offsets from the As-Available Gas Sales schedules.

   (3) Unrecovered Gas Billings: Gas related costs calculated and billed to COGR customers, does not include transportation or other non-gas related customer accounts, which have been recorded as uncollectable during the preceding Computation Year, shall adjust the cumulative total under/over recovered cost used to calculate the ACA factor.

      (a) The Unrecovered Gas Billings included in the annual ACA calculation will not include interest or collection fees/charges.

      (b) Company’s Unrecovered Gas Billing expenses attributable to charges under this COGR are included in the FERC Account No. 191.

b. The ACA Factor shall be filed with the Commission and applied to sales service gas beginning with the next monthly billing cycle. The ACA Factor shall remain in effect until superseded by a subsequent calculation.

SR = Supplier Refunds. Supplier Refunds of Company's payments in excess of those ultimately authorized by the governing regulatory body, including interest received, shall be credited to the refund reserve account~~s~~ and refunded to customers through the Supplier Refund factor.

a. The Supplier Refund factor shall be the amount credited to the refund reserve account. If the Supplier Refund factor is less than $0.0010/Mcf, the refund shall be held in the reserve account~~s~~ until the close of the current Computation Year, at which time it shall be applied to the total accumulated under/over recovery for the ACA calculation.

   If the Supplier Refund factor is equal to or greater than $0.0010/Mcf, Company shall include the Supplier Refund factor as a negative adjustment to the cost of gas purchased by Company to meet sales service requirements. Any balance remaining in Company's refund reserve account~~s~~ upon completion of a refund shall be held until the close of the current Computation Year, at which time it shall be applied to the total accumulated under/over recovery for ACA calculation.

Cost of Gas Rider

b. Company shall report to the Commission its intended Supplier Refund plan within 30 days after its receipt of each refund. The refund period shall generally be 12 months, except as lengthened or shortened by Company to avoid a total refund which is materially above or below the refundable amount.

c. Nothing contained herein shall preclude the Commission from modifying the Company's refund procedure on a case-by-case basis.

OC = Other Charges or Credits. Other Charges or credits shall be included as a separate component of the Cost of Gas and included only to the extent provided by a separate schedule, rider, or section of COGR, and approved by the Commission.

a. Overrun Penalties: Overrun penalties shall be separately accumulated. Company shall maintain a continuing monthly comparison of the actual penalties paid and the amount recovered from customers. The differences of the comparisons shall be accumulated to produce an Accumulated Penalty Balance. The Accumulated Penalty balance shall be reduced by the amount of Overrun Penalties credited to Electronic Flow Measurement (EFM) devices pursuant to EFMR rate schedule. An Accumulated Penalty Recovery Factor shall be calculated annually by dividing the accumulated balance of under/over recovered penalties by the volume of actual sales during the Computation Year. The Accumulated Penalty Recovery Factor shall be a component of the OC. The Accumulated Penalty Balance shall be adjusted by the monthly penalty under/over recovery.

b. Capacity Release: Company shall forecast the capacity release credits expected to be received during the Computation Year. Company shall then calculate an Estimated Capacity Release Factor by dividing 50% of the forecast by estimated sales during the same period. The Estimated Capacity Release Factor shall be a component of the OC. Company shall maintain a continuing monthly comparison of the actual capacity release credits received and the capacity release credits distributed. The differences of the comparisons shall be accumulated to produce an Accumulated Capacity Release Balance. An Accumulated Capacity Release Factor shall be calculated annually by dividing the accumulated balance of under/over distributed credits by the volume of actual sales during the Computation Year. The Accumulated Capacity Release Balance shall be adjusted by the monthly capacity release under/over disbursements.

c. Gas Hedge Program: Company shall operate its Gas Hedge Program pursuant to the Commission's orders in Docket No. 05-KGSG-580-HED.

   (1) Cost and revenues associated with any purchase or sale of financial derivatives, the net balance of which shall not exceed the approved annual hedge budget amount, shall be recovered as the Hedge Recovery OC component during the months of April through October.

Cost of Gas Rider

(a) The Hedge Recovery OC component shall be a volumetric charge calculated by dividing the projected net balance by the sales volumes projected to occur in the months of April through October.

(b) Company shall show the amounts collected from customers through the Hedge Recovery OC component as a separate line item on the customer's bill.

(2) Costs and revenues generated from the settlement of financial derivatives related to Gas Hedge Program sales shall be flowed back as the Hedge Settlement OC component during the months of November through March.

(a) The Hedge Settlement OC component shall be a volumetric charge or credit that is calculated each month from November through March by dividing the monthly estimated hedge payoff amount by the sales volumes projected to occur in that respective month. The estimated payoff amount shall be adjusted to the actual payoff amount in the following month's calculation.

(b) Company shall not be required to show the Hedge Settlement OC component as a separate line item on the customer's bill.

(3) The Hedge Program Year shall be the 12 months beginning with April and ending with March. Any variance remaining at the end of the Hedge Program Year shall be included in the subsequent Actual Cost Adjustment calculation.

Definitions and Conditions

1. All provisions set forth in the rate schedule under which a customer takes service apply to the extent they are not superseded by provisions of this rider.

2. The Computation Year, consisting of the 12 month period ending June 30, shall be the base period for calculation unless otherwise specified.

3. Appropriate Net Gas Costs are those which are properly included in FERC Account Nos. 800, 801, 802, 803, 804, 805, 806, 808, 809, and 811.

4. A monthly report shall be filed with the Commission, describing the costs associated with gas and transportation services purchased by Company to meet sales service requirements and included in this rider. The report shall detail the calculations for Base Gas Cost and shall reflect all factors applicable to Net Gas Cost as well as any relevant current or deferred balances.