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GENERAL INFORMATION

12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)

12.1 GAS SUPPLY CHARGE (Cont'd.)

(C) Average Cost of Gas (Cont'd.)

(1) Fixed Cost (Cont'd.)

The fixed gas cost of the Companies associated with pipeline capacity, storage capacity, and purchased gas contract entitlements, except costs associated with balancing service, shall be allocated to each company using fixed percentages. The fixed percentages are based on ratios of each Company's forecasted winter peak day capacity requirement, adjusted as set forth below, to the total forecasted peak day capacity requirement of the Companies. For the purpose of computing these ratios, each Company's forecasted winter peak day capacity requirement shall be reduced by the amount of winter peak day capacity obtained by Sellers, from sources other than the Companies, for firm service customers participating in each of the Companies' gas retail access programs. These fixed percentages shall initially become effective as of the effective date of this leaf and shall remain in effect through October 31, 2007. The fixed percentages shall be revised at least annually to become effective each November 1. The Company shall be permitted to make interim revisions to the fixed percentages, if necessary, to reflect a significant shift in peak day capacity requirements between the Companies. The Company shall advise Commission Staff on or before October 1 of each year of any changes to the fixed percentages to be implemented the following November 1.

The Company's apportioned share of fixed costs, determined in the manner set forth above, shall then be reduced by annual estimates of the revenues, fees and charges set forth below and then divided by the forecast quantities of gas to be taken for delivery to the Company’s firm sales customers for the 12 calendar months ending the following August 31:

(a) Revenues from off-system sales, less any associated gas costs;

(b) Capacity related revenues associated with Service Classification No. 10; and

(c) Transition Surcharge revenues.