GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

(6) Merchant Function Charge (MFC): (Cont'd)

ii.) The MFC components shall be updated and reconciled as stated below in accordance with the Joint Proposal dated July 14, 2010 in Case Nos. 09-E-0715, 09-G-0716, 09-E-0717, and 09-G-0718.

a) Commodity-related Uncollectible Costs

- The commodity related uncollectible percentage rate shall be reset annually based on the most recent available 12-month period of actual uncollectibles. The commodity-related uncollectible component of the MFC shall be calculated each month by multiplying the uncollectible percentage rate for each of the groups described above by the associated monthly gas supply cost.

b) Commodity-related Credit and Collections and Call Center costs

- Any over/under collections related to the credit and collections and call center costs component shall be added to any over/under collections related to the credit and collections and call center costs component charged through the POR Administration Charge and POR Discount and reconciled through both the POR Discount and MFC in the subsequent rate year. The unit rate shall be reset annually based on recent MFC and POR sales forecasts.

c) Commodity-related Administrative costs

- The Administrative Component shall be reconciled annually for differences in actual versus design sales only. The unit rate shall be reset annually based on recent sales forecasts.

d) Cash Working Capital on Commodity Hedge Margin costs

- The cash working capital on Commodity Hedge cost component shall be based on the Companies' pre-tax rate of return and shall be reconciled to actual costs annually. Additionally, this component shall be updated annually to reflect actual costs from the most recent available twelve month period and the most recent sales forecast.

e) Cash Working Capital on Storage Inventory Carrying Costs.

- The carrying charge used in the determination of monthly storage working capital costs shall be the Company's authorized pre-tax rate of return on the base storage level and the Commission's currently-effective Other Customer Capital rate on monthly amounts above the base storage level. The base storage level is defined as the lowest monthly balance.
- This component shall be reconciled annually to actual applicable costs for the period.
- Additionally, this component shall be updated annually to reflect actual costs from the most recent available 12-month period and the most recent sales forecast. .

D. Pipeline Refund:

(1) The Company shall pass back to customers any refund, including applicable interest on any unrefunded balance, received from a pipeline as follows:

(a) All refunds received each month shall be combined for purposes of determining the refund credit. The rate of refund shall be computed by dividing the total amount to be refunded by the corresponding estimated sales for the next successive 12 calendar months provided. All refunds concluded during the 12-months ending August 31 of each year shall be reconciled with amounts intended to be refunded during that period with any difference applied to the Annual Surcharge or Refund Computation.

(b) Interest shall be computed on the unrefunded balance from the date of receipt of the refund until the refund is returned to the customers at the rate prescribed by the Commission.

(c) If gas supply credits (e.g. pipeline refunds) are received by the Company in any month, such credits shall be returned through the monthly Gas Supply Charge. The Company shall not retain any gas supply credits. To the extent a pipeline passes back a refund directly to the Company, rather than to the ESCOs, the Company shall allocate a pro-rata share to daily and non-daily metered customers as applicable.

(2) The Pipeline Refund shall be calculated by dividing applicable pipeline refunds by annual forecasted firm sales.

(3) In lieu of immediately applying any pipeline refund, the Company may accumulate such refunds, with applicable interest, to be accounted for during the annual reconciliation. With PSC approval, accumulated refunds may be returned at any time preceding the annual reconciliation.

(4) Where exceptional circumstances warrant, the Company may petition the Commission for a waiver of the above refund plan.