

PURCHASED GAS ADJUSTMENT PROCEDURES - RIDER D

I. Definitions

“Gas Costs” shall mean the total delivered cost of gas paid or to be paid to Suppliers, including but not limited to all commodity/gas charges, all direct transaction-related costs arising from PSNC’s prudent efforts to stabilize or hedge commodity gas costs, demand charges, peaking charges, surcharges, emergency gas purchases, over-run charges, capacity charges, standby charges, reservation fees, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges, take-and-pay charges, storage charges, service fees and transportation charges, and any other similar charges associated with the purchase, storage, or transportation of gas for PSNC’s system supply.

“Suppliers” shall mean any person or entity, including an affiliate of PSNC, who locates, produces, purchases, sells, stores and/or transports gas or its equivalent for or on behalf of PSNC, or who provides hedging tools, including, but not limited to financial tools, designed to stabilize PSNC’s commodity prices. Suppliers may include, but are not limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of Liquefied Natural Gas, Liquefied Petroleum Gas, Synthetic Natural Gas and other hydrocarbons used as feed stock, other Local Distribution Companies, and end-users.

“Benchmark Commodity Gas Costs” shall mean PSNC’s estimate of the City Gate Delivered Gas Costs for long-term gas supplies, excluding Demand Charges and Storage Charges as approved in PSNC’s last general rate case or gas cost adjustment proceeding.

“City Gate Delivered Gas Costs” shall mean the total delivered Gas Costs to PSNC at its city gate.

“Commodity and Other Charges” shall mean all Gas Costs other than Demand Charges and Storage Charges and any other Gas Costs determined by the Commission to be properly recoverable from sales customers.

“Demand Charges and Storage Charges” shall mean all Gas Costs which are not based on the quantity of gas actually purchased or transported by PSNC and any other Gas Costs determined by the Commission to be properly recoverable from customers.

“Other Gas Supply Charges” shall mean the per therm supply reservation fees. These charges shall be determined on an annual basis by dividing the total estimated reservation fees to be paid under the firm supply contracts by the total estimated quantities to be purchased under these contracts.

II. Rate Adjustments Under These Procedures

If PSNC anticipates a change in its City Gate Delivered Gas Costs, it may apply and file revised tariffs effective on 14 days notice in order to increase or decrease its rates to its customers as hereinafter provided. The Commission may issue an order allowing the rate change to become effective simultaneously with the effective date of the change or at any time ordered by the Commission. If the Commission has not issued an order within 120 days after the application, PSNC may place the requested rate adjustment into effect.

1. Demand Charges and Storage Charges. Whenever PSNC anticipates a change in the Demand Charges and Storage Charges, it may (as hereinabove provided) change its rates to customers under each applicable Rate Schedule by an amount computed as follows:

(Total Anticipated Demand Charges and Storage Charges - Prior Demand Charges and Storage Charges)	
x Rate Schedule Percentage*	= Increase (Decrease) Per Unit
Sales & Transportation Quantities* (by Rate Schedule)	

* Established by the Commission in the last general rate case.

2. Commodity and Other Charges. Whenever PSNC's estimate of its Benchmark Commodity Gas Costs changes, it may (as hereinabove provided) change the rates to its customers purchasing gas under sales rate schedules, incorporating the Benchmark Commodity Gas Costs, by an amount computed as follows:

$$\frac{\text{Quantities of gas purchased * (excluding Company Use and Unaccounted For) x (New Benchmark Commodity Gas Costs - Old Benchmark Commodity Gas Costs)}}{\text{Quantities of gas purchased for System Supply * (excluding Company Use and Unaccounted For)}} = \text{Increase (Decrease) Per Unit}$$

* Established by the Commission in the last general rate case.

3. Company Use and Unaccounted For. Whenever PSNC's estimate of its Benchmark Commodity Gas Costs changes, it may (as hereinabove provided) change the rates to its customers, by an amount computed as follows:

$$\frac{\text{Quantities of Company Use and Unaccounted For Gas* x (New Benchmark Commodity Gas Costs - Old Benchmark Commodity Gas Costs)}}{\text{Sales \& Transportation Quantities*}} = \text{Increase (Decrease) Per Unit}$$

* Established by the Commission in the last general rate case.

4. Other Changes in Purchased Gas Costs. The intent of these procedures is to permit PSNC to recover its actual prudently incurred Gas Costs. If any other Gas Costs are incurred, they will be handled as in Section 1 if they are similar to Demand Charges and Storage Charges, or as in Section 2 if they are similar to Commodity and Other Charges.

III. True-up of Gas Costs

Demand Charges and Storage Charges. On a monthly basis, PSNC shall determine the difference between (a) Demand Charges and Storage Charges billed to its customers in accordance with the Commission-approved allocation of such costs to PSNC's various Rate Schedules and (b) PSNC's actual Demand Charges and Storage Charges. This difference shall be recorded in PSNC's deferred account for demand and storage charges. Increments and decrements for this deferred account, including the portion of the Commodity and Other Charges true-up calculated under Section (4)(b) and apportioned to this deferred account, flow to applicable sales and transportation rate schedules.

Commodity and Other Charges. On a monthly basis, PSNC shall determine with respect to gas sold (including company use and unaccounted for) during the month, the difference between (a) the actual Commodity and Other Charges incurred and (b) the actual Commodity and Other Charges billed to customers. This difference shall be apportioned each month to PSNC's deferred account for commodity and other charges based on the ratio of volumes sold to the volumes purchased for that month. The residual portion of the difference not apportioned to PSNC's deferred account for commodity and other charges shall be apportioned each month to PSNC's deferred account for Demand Charges and Storage Charges. On a monthly basis, PSNC shall determine with respect to gas sold in previous months under its residential and commercial rate schedules, the difference between amounts billed for Gas Costs and the amounts actually recovered from customers for such Gas Costs. Such uncollectible Gas Costs shall be recorded in PSNC's deferred account for commodity and other charges. Any such deferred amounts that are subsequently paid by customers shall be credited to PSNC's deferred account for commodity and other charges. Increments and decrements for Commodity and Other Charges shall flow to all sales rate schedules incorporating the Benchmark Commodity Gas Costs.

Supplier Refunds and Direct Bills. If PSNC receives supplier refunds or direct bills with respect to gas previously purchased, the amount of such supplier refunds or direct bills will be recorded in the appropriate deferred Account, unless directed otherwise by the Commission.

IV. Other

Gas Costs changes not tracked concurrently shall be recorded in the appropriate deferred account.

The Commodity and Other Charges portion of gas inventories shall be recorded at actual cost and the difference in that cost and the Benchmark Commodity Gas Costs most recently approved shall be recorded in the deferred account when the gas is withdrawn from inventory.

PSNC shall file with the Commission (with a copy to the Public Staff) a complete monthly accounting of the computations under these procedures, including all supporting workpapers, journal entries, etc., within 45 days after the end of each monthly reporting period. All such computations shall be deemed to be in compliance with these procedures unless within 60 days of such filing the Commission or the Public Staff notifies PSNC that the computations may not be in compliance; provided, however, that if the Commission or the Public Staff requests additional information reasonably required to evaluate such filing, the running of the 60 day period will be suspended for the number of days taken by PSNC to provide the additional information.

Periodically, PSNC may file to adjust its rates to refund or collect balances in these deferred accounts through decrements or increments to current rates. In filing for an increment or decrement, PSNC shall state the amount in the deferred account, the time period during which the increment or decrement is expected to be in effect, the rate classes to which the increment or decrement is to apply, and the level of quantities estimated to be delivered to those classes. Any such increments or decrements shall be made on a percentage basis for all affected rate classes as determined in PSNC's most recent general rate case, unless otherwise ordered by the Commission.

PSNC may negotiate with commercial and industrial customers on its sales and transportation rates to avoid the loss of deliveries to these customers. All margin loss from those customers served under Rate Schedule No. 160 which would otherwise have purchased or transported gas under Rate Schedule Nos. 150 and 180 shall be recorded in the deferred account for Demand Charges and Storage Charges. Such margin loss shall be based on the currently effective rates. PSNC may offset negotiated losses in any manner authorized by the Commission.