

**GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES**

Determination of Gas Cost Adjustment (GCA)

Company shall file a quarterly report with the Commission which shall contain an updated Gas Cost Adjustment (GCA) Rate and shall be filed at least thirty (30) days prior to the beginning of each quarterly calendar period. The GCA shall become effective for billing with the final meter readings of the first billing cycle of each quarterly calendar period.

The gas cost adjustment is comprised of:

- (1) The Expected Gas Cost Component (EGC), on a dollar-per-Mcf basis, is made up of two components: (a) Expected Commodity Gas Cost which applies to Rate Schedules GS, IS, and IUS, and represents the average expected commodity cost of gas supplied, and (b) Expected Demand Gas Cost which applies to Rate Schedules GS, IUS and SVAS, and represents the average expected demand cost of gas supplied, excluding the Standby Service demand costs to be recovered from IS Customers and General Service Delivery Service Customers. The Commodity Gas Cost component of the EGC includes the remainder of any net cost and benefits of previously authorized hedging activities.
- (2) The supplier Refund Adjustment (RA), on a dollar-per-Mcf basis, which reflects refunds received during the reporting period plus interest at a rate equal to the average of the "three month commercial paper rate" for the immediately preceding twelve month period. In the event of any large or unusual refunds, Company may apply to the Commission for the right to depart from the refund procedure herein set forth.
- (3) The Actual Cost Adjustment (ACA), on a dollar-per-Mcf basis, which compensates for any previous over or undercollections of gas costs experienced by the company through the operation of this gas cost recovery procedure. The ACA shall be based on the twelve months ended June 30th each year, with the ACA factor to be in effect for twelve months beginning September 1st of each year.
- (4) The Balancing Adjustment (BA), on a dollar-per-Mcf basis, which compensates for any under or overcollections which have occurred as a result of prior adjustments.
- (5) The Performance Based Rate Adjustment (PBRA), on a dollar-per-Mcf basis, which is calculated annually based on the prior twelve month period ending March 31, with the PBRA factor to be in effect for twelve months beginning June 1st each year.

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NOTE: All adjustments will be assigned to the Expected Demand Gas Cost or Expected Commodity Gas Cost components.

CANCELLED
MAR 01 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

DATE OF ISSUE April 13, 2015

DATE EFFECTIVE April 1, 2015

ISSUED BY *Herbert A. Miller, Jr.*

TITLE President

Issued pursuant to an Order of the Public Service Commission
in Case No. 2014-00350 dated March 27, 2015

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| KENTUCKY PUBLIC SERVICE COMMISSION |
| JEFF R. DEROUEN EXECUTIVE DIRECTOR |
| TARIFF BRANCH |
| <i>Brent Kirtley</i> |
| EFFECTIVE 4/1/2015 |
| PURSUANT TO 807 KAR 5:011 SECTION 9 (1) |