

COLUMBIA GAS OF KENTUCKY, INC.

**GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)**

The benchmark associated with each pipeline shall be calculated as follows:

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- BM (TCO) = (TPDR x DQ) + (TPCR x AV) + S&DB
- BM (TGP) = (TPDR x DQ) + (TPCR x AV) + S&DB
- BM (CKT) = (TPDR x DQ) + (TPCR x AV) + S&DB
- BM (CGT) = (TPDR x DQ) + (TPCR x AV) + S&DB
- BM (PPL) = (TPDR x DQ) + (TPCR x AV) + S&DB



Where:

TPDR is the applicable Tariffed Pipeline Demand Rate.

DQ is the Demand Quantities contracted for by the Company from the applicable transportation provider.

TPCR is the applicable Tariffed Pipeline Commodity Rate.

AV is the Actual Volumes delivered at Company's city gate by the applicable transportation provider for the month.

S&DB represents Surcharges, Direct Bills and other applicable charges approved by the Federal Energy Regulatory Commission (FERC).

The Total Actual Transportation Costs (TATC) paid by Company for the period shall include both pipeline demand and volumetric costs associated with natural gas pipeline transportation services as well as all applicable FERC approved surcharges, direct bills included in S&DB, less actual capacity release credits. Such costs shall exclude labor related or other expenses typically classified as operating and maintenance expenses.

Should one of the Company's pipeline transporters file a rate change effective during any period and bill such proposed rates subject to refund, the period over which the benchmark comparison is made for the relevant transportation costs will be extended for one or more 12 month periods, until the FERC has approved final settled rates, which will be used as the appropriate benchmark. Company will not share in any of the savings or expenses related to the affected pipeline until final settled rates are approved.

OSSI

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OSSI = Off-system Sales Incentive. The OSSI shall be equal to the revenues net of costs from off-system sales (other than those revenues generated by operational sales).

Results of operation sales, administrative capacity releases and Rate Schedule SVAS capacity assignments will be credited 100% to gas cost.

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ISSUED BY TITLE	<i>Herbert A. Meller Jr.</i> President

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