

GENERAL SERVICE PROVISIONS (continued)

28. ACCELERATED PIPE REPLACEMENT PLAN (APRP) ADJUSTMENT

I. PROVISION FOR ADJUSTMENT

The monthly Distribution Charges billed under the Company's Rate Schedule Nos. 1, 1A, 2, 2A, 3, 3A and 6 shall be subject to an adjustment which is called an Accelerated Pipe Replacement Plan (APRP) Adjustment.

II. APPLICATION

A. The APRP Adjustment shall be applied monthly and comprise: (a) a "current factor", as determined in III. A. below, and (b) a "reconciliation factor", as determined in III. B. below. The APRP charge shall be shown as a separate line item on customer bills.

III. COMPUTATION

A. Current Factor

The current factor, calculated to the nearest .01¢ per therm, shall be computed and filed annually by dividing the respective total amount allocated (as hereinafter defined) by the estimated total throughput for the applicable year customer class. The new factor will become effective each October billing cycle. Eligible infrastructure replacement plant is defined as plant expenditures that are part of the approved APRP plan but not reflected in base rates.

The amount to be charged to each customer shall be determined as follows:

1. The amount to be recovered will include the costs related to the eligible infrastructure replacement plant approved by the Commission.
2. The amount will include both a return of the expenditures as stated in III.A.1. and a return on the expenditures for the coming year.
3. The return of the expenditures will be computed by using the then-currently approved depreciation rates from the most recent depreciation study and apply those rates to the expected average plant balance, net of retired plant, during the year to capture depreciation costs for the period.
4. The return on the expenditures will be calculated by applying the then-currently approved cost of capital as determined in the Company's last base rate case to the average level of eligible plant replacement plan, as adjusted for the reserve on depreciation and accumulated deferred income taxes, to calculate a return on the plant.
5. A revenue conversion factor, including an allowance for income taxes and bad debt expense, shall be applied to the return on the expenditures calculated in Section III.A above.

GENERAL SERVICE PROVISIONS (continued)

28. ACCELERATED PIPE REPLACEMENT PLAN ADJUSTMENT (Continued)

6. Carrying costs on the over-or-under recovery of the eligible plant replacement costs will be calculated at the end of the twelve-month period. The calculation will determine the over-or-under recovered amount at the end of each month. Each monthly amount of the over-or-under recovery will be multiplied by the cost of capital.
7. The total recovery amount as described in Sections III.A.1 through A.6 above will be divided by estimated throughput to arrive at a "per therm" factor by customer class multiplied by customer usage and included in the separate customer bill line item shown on bills.

B. Financial Reconciliation Factor

A reconciliation factor shall be computed at the conclusion of each annual period of the APRP Adjustment by comparing actual collections of the current factor through the APRP Adjustment with actual eligible infrastructure replacement costs. The calculated under-or-over collection shall be divided by the current estimated annual throughput to create the reconciliation factor to be added or subtracted from the current factor. Any adjustment to costs based upon the completed projects reconciliation shall be reflected in the next annual Financial Reconciliation Factor filing.

C. Completed Projects Reconciliation

On or before December 31st of each year of the Five-Year Approved Plan, the Company shall file a Completed Projects Reconciliation Report, which will include estimated and actual spend for each APRP project completed during the prior Plan year (October 1 – September 30). Actual spend for each project shall be defined to include direct capital expenditures and project total capital expenditures, each of which shall be shown separately.

IV. FILING

The Company shall provide the Commission Staff, OPC, AOBA and other interested parties with a copy of the annual computation of the current APRP factor by July 31st of each year for implementation in the October billing cycle. The Financial Reconciliation Factor will be filed by December 31st of each year with implementation in the March billing cycle.