PURCHASED GAS COST ADJUSTMENT
PGA

C. CALCULATION OF THE ACTUAL COST ADJUSTMENT (ACA) (continued)

The Deferred Purchased Gas Cost Account shall be adjusted for those revenues received by the Company for the off-system sales margins and release of pipeline transmission capacity to another party other than those revenues which are retained by the Company as described in this tariff.

For each month during the ACA period and for each month thereafter interest, at a simple rate equal to the prime bank lending rate (as published in the Wall Street Journal on the first business day of the following month), minus two (2) percentage points (but not less than zero) shall be credited to customers for any over-recovery of gas costs or credited to the Company for any under-recovery of gas costs. Interest shall be computed based upon the average of the accumulated beginning and ending monthly ACA account balances. The Company shall maintain detailed work-papers that provide the interest calculation on a monthly basis.

In addition, an allocation of monthly line of credit fees shall also be charged to the deferred purchase gas cost accounts and shall represent the difference between total line of credit fees (after allocation of holding company fees to affiliates) and the amount allocated to Construction Work in Progress ("CWIP"). The amount allocated to CWIP shall be based on the ratio of CWIP balances each month to the total balances of CWIP, and net PGA balances (to the extent such net PGA balances are positive). **Storage inventories shall not be allocated line of credit fees.**

For each twelve (12) month billing period ended September 30, the differences of the cost of gas and the cost recovery comparisons as described herein, including any balance for the previous year shall be accumulated to produce a cumulative balance of over-recovered or under-recovered costs. An "Actual Cost Adjustment" (ACA) shall be computed by dividing the cumulative balance of under-recoveries or over-recoveries by the annual sales volumes set out in this tariff.

This adjustment shall be rounded to the nearest $0.00001 per Ccf and applied to the billings of each applicable sales rate classification, commencing in November of each year, and shall remain in effect until superseded by subsequent ACA factors calculated according to this provision. The Company shall file any revised ACA in the same manner as all other Purchased Gas Cost Adjustments.