

MIDDLE TENNESSEE NATURAL GAS
TERMS AND CONDITIONS
SALE OF NATURAL GAS

GENERAL OFFICE
P.O. BOX 670
SMITHVILLE, TN 37166

**SERVICE SCHEDULE NO. 10
PURCHASED GAS ADJUSTMENT PROVISION**

PURCHASED GAS ADJUSTMENT FOR RATES 22, 34, 35, 36, 40, 41, 42, 50 AND 62

- I. **Intent:** This Purchased Gas Adjustment Provision is intended to adjust sales rates of Middle Tennessee Natural Gas Utility District on a monthly basis (either up or down) to reflect variations in the District's cost of purchased gas, and will assure that the District does not over-collect or under-collect gas costs from its customers.
- II. **Base Costs of Gas:** The District's current Base Commodity and Demand unit costs of purchased gas are:

Base Commodity	\$2.18/Dth
Base Demand	\$1.96/Dth

The District will evaluate Base and Purchased gas costs, sales rates and other operating and revenue requirements on an ongoing basis to assure the continued financial and operating integrity of the District.

- III. **Actual Costs of Gas:** Each month the District's total costs of purchasing natural gas for the most recent twelve (12) month period is tabulated. All costs for customers whose rates are covered by this service schedule are classified as Demand, Commodity or Other gas related charges. Total Demand costs are divided by the lower of a) the firm gas sales for the same twelve (12) month period or b) the budgeted firm gas sales for the current fiscal year. The commodity and Other gas costs are divided by the lower of a) the District's total sales for the twelve (12) month period or b) the budgeted total gas sales for current fiscal year. These calculations establish the current Commodity unit cost of gas and Demand unit cost of gas for the District. Sales volumes and associated gas costs for any customer whose rates are not covered under this service schedule will be excluded from these gas cost calculations.
- IV. **Annual Cost Adjustment:** During April each year the accumulated deferred gas balance of the District through March 31st of that year (positive or negative) will be divided by the District's total sales to customers whose rates are covered by this Service Schedule for the twelve (12) month period ending March 31 of that year. This calculation will produce an annual cost adjustment (ACA) that is applicable to and will be added to the commodity sales rates, for all rates covered by this Service Schedule during the twelve month period beginning May 1st of that year.
- V. **Calculation of Purchased Gas Adjustments:** Each month the Base Commodity unit cost of gas is subtracted from either the actual Commodity unit cost of gas defined herein, or the District's current monthly commodity weighted average unit cost of gas, whichever is representative of the actual purchased gas conditions for the month that the PGA will be in effect. This calculation will produce a Commodity unit cost of gas differential. The Base Demand unit cost of gas is subtracted from the actual Demand unit cost of gas to produce a Demand unit cost of gas differential.

All firm sales rates in the District (Rates 22, 34, 35, 36, 40, 41, 42, and 62) are adjusted for the succeeding month (either up or down) by the sum of the Commodity unit cost of gas differential, the Demand unit cost of gas differential, and the Annual Cost Adjustment.

Interruptible Rate 50 is adjusted for the succeeding month (either up or down) by the Commodity unit cost of gas differential plus the Annual Cost Adjustment.

All calculations will be rounded to the nearest half cent per therm.