1. GAS SUPPLY RATE (GSR)

1.1. GAS SUPPLY RATE (GSR) APPLICABILITY AND REQUIREMENTS

The charges for gas sales service contained in the Company's total billing to sales customers shall include the cost of gas sold as identified in this Rider. For purposes of this Rider the cost of gas sold shall include the sum of all gas purchased for the Company's Arkansas customers, upstream transportation charges, storage charges, the cost of gas withdrawn from storage less the cost of gas injected into storage, any fees, gains or losses and other transaction costs associated with the use of various financial instruments used by the Company to stabilize prices.

1.2. DEFINITIONS

1.2.1. Cost of Gas Sold – For purposes of this clause the cost of gas sold during a month shall be the sum of all gas purchased for the Arkansas customers, transportation and storage charges, the cost of gas withdrawn from storage less the cost of gas injected into storage, and any fees, gains or losses and other transaction costs associated with the use of various financial instruments to stabilize gas prices. To the extent that the Company bills, and receives payment for, gas lost through line-breaks, such revenue will be credited to the cost of gas sold.

1.2.2. Lost and Unaccounted for Gas (LUFG) – For purposes of this clause LUFG will be the portion of the Cost of Gas Sold that is not delivered to sales or transportation customers. More specifically it will contain Shrinkage, Company Used gas, and Remaining LUFG (RLUFG). Shrinkage is calculated by rate classification at the time of billing and represents a calculation of gas delivered but not measured to customers due to known departures from the Ideal Gas Laws. Company Used Gas is gas measured directly to the Company facilities, and RLUFG is total LUFG less Shrinkage and Company Used Gas.

1.2.3. Fixed Transportation Charges – Charges incurred for transporting gas to the Company's Arkansas system that do not vary with the volume of gas being transported, including, for example, but not limited to, pipeline FT and NNT demand and/or reservation fees.

1.2.4. Fixed Storage Charges – Charges incurred for storing gas that do not vary with the volume of gas injected into or withdrawn from storage, including, for example, but not limited to, FSS demand and/or reservation fees.

1.2.5. Fixed Gas Supply Charges – Charges incurred for the acquisition of gas supply that do not vary with the volume of gas purchased, including, for example, but not limited to, supply demand and/or reservation fees.

1.3. GSR FILINGS

1.3.1. Scheduled GSR Filings:

The Company shall make two Scheduled GSR Filings each year: a Winter Season GSR and a Summer Season GSR. The Winter Season GSR shall be effective for billings rendered to customers during the months of November through the following March. The Summer Season GSR shall be effective for bills rendered to customers during the months of April through the following October.

The Winter Season GSR filing shall contain rates reflecting: (1) the then current estimate of gas cost revenue requirement for the period between the effective date of filing and the next Summer Season GSR; and, (2) all of the annual actual cost (true-up or secondary adjustment factor) adjustments and any refund factor adjustments relating to or arising during the immediately preceding 12 months ending August each year.

The Summer Season GSR filing shall contain rates reflecting: (1) the then current estimate of gas cost revenue requirements for the period between the effective date of the Summer Season GSR and the effective date of its next Winter Season GSR; and, (2) maintaining all of the actual cost of gas adjustment (annual true-up or secondary adjustment) and any refund adjustments.

1.3.2. Unscheduled GSR Filings:
Should a projected under or over recovery balance arise during any seasonal GSR period which exceeds ten percent (10%) of the projected annual gas cost per the most recent scheduled GSR filing, then either the Arkansas Public Service Commission General Staff or the Company may propose an Unscheduled GSR filing.

If an Unscheduled GSR Filing is made, that filing: (1) must contain rates reflecting the then current estimate of the gas cost revenue requirement for the period from the effective date of such filing to the next scheduled filing, and (2) must maintain all of the actual cost of gas adjustment (annual true-up or secondary adjustment factors) and any refund adjustment factors.

The Unscheduled GSR Factor shall remain in effect only until the next scheduled GSR Filing.

1.3.3. Scheduled and any Unscheduled GSR filings shall be filed with the Commission by the last business day of the month immediately preceding the month the proposed new GSR factor will be implemented.

1.4. ALLOCATION OF COSTS

1.4.1. Calculation of Demand Cost Component:

Calculating demand costs - The demand gas cost revenue requirement component shall be the annual total of the gas costs that do not vary with the actual consumption, including but not limited to, fixed transportation and storage costs, fixed gas supply charges, and fixed financial charges associated with financial instruments purchased to stabilize prices.

Calculating demand cost allocation- The demand cost component of each season's filing shall be calculated by multiplying the total annual projected demand costs by the allocation factors for those demand costs as approved by the APSC for the respective RS-1, and the non-TSO SCS customers (defined as the factor representing the peak day demand for the non-TSO SCS-1, non-TSO SCS-2, and non-TSO SCS-3 customers), and LCS customers. AT

1.4.2. Calculation of Commodity Cost Component:

Calculating commodity costs by season - The commodity gas cost revenue requirement component of each season's GSR shall be the sum of all gas cost purchased for sales customers other than demand costs or LUFG costs, including but not limited to variable transportation costs, gas supply commodity costs, shall also include the transaction costs associated with the use of futures contracts and options and other prudently incurred costs associated with various financial instruments purchased by the Company to stabilize gas supply rates. The commodity gas costs shall include the commodity cost of storage withdrawals and injections. The Company will utilize any technique or method it deems reasonable for purposes of estimating the commodity cost component of each seasonal filing.

Seasonal Commodity Cost Allocation - The seasonal commodity costs assigned to RS-1 and non-TSO SCS and LCS customers will be determined by multiplying the Seasonal Commodity Cost by the ratio of estimated sales volumes for the respective classes in that season. For purposes of Commodity allocation and the establishment of Commodity rates, the SCS-1, SCS-2, and SCS-3 classes will be combined and considered as one class. AT

1.4.3. LUFG Allocation:
For purposes of LUFG allocation, and the establishment of LUFG rates, the SCS-1, SCS-2, and SCS-3 classes will be combined and considered as one class. LUFG will be allocated to the respective rate classes based on the factors established below for each of the components of LUFG: AT

Shrinkage – for each rate class (including regular sales and TSO customers) shall be determined based on cost causation.

Company Used Gas – shall be determined by the direct measurement of the gas consumed by the Company facilities, and allocated to each rate class (including regular sales and TSO customers) based on the ratio of the number of customers in each class and the total for such classes.

Remaining LUFG (RLUFG) – shall be defined as the difference between (a) total LUFG; and (b) the sum of Shrinkage and Company Used Gas established above. It shall be allocated to the respective customer classes as follows:

55% based on the volumes for the most recent twelve-month-ending August period of the rate classes (including regular sales and TSO customers).

35% based on the APSC approved demand components for the rate classes (including regular sales and TSO customers).

10% based on the annualized number of customers of the rate classes (including regular sales and TSO customers) as of the most recent twelve-month-ending August period.

1.5. RATE CALCULATION

RS-1 Customers - The GSR for Residential customers will be a per Ccf rate that is determined by summing the allocated costs in Parts 1.4.2. and 1.4.3. above and dividing that total by the projected seasonal volumes for the residential class and adding that result to the per Ccf rate determined by dividing the allocated annual costs in Part 1.4.1. by the estimated annual sales volumes.

SCS and LCS Customers - The commodity portion of the rate for non-TSO SCS customers and for non-TSO LCS customers will be determined by respectively summing the allocated costs in Parts 1.4.2. and 1.4.3. above and dividing that total by the projected seasonal volumes for the respective classes. SCS-1, SCS-2, and SCS-3 customers will be combined and considered as one class for purposes of determining the commodity portion of the rate. While the calculation will be made in Ccf, it will be appropriately translated to MMBtu as needed. AT

The demand portion of the rate for LCS non-TSO customers will be charged to the customers based on their assigned CD's in MMBtu. The rate will be determined by dividing the respective classes allocated costs in Part 1.4.1. above by their respective annualized CD's. This charge will be applicable whenever the customer receives a monthly bill, regardless of whether the customer actually consumes gas during that monthly period. Since the demand charges are part of an overall non-specific set of upstream contracts, the support for their allocations will be provided in the schedules supporting the filing.

Allocation and Demand Rate Calculation for SCS-1, SCS-2, and SCS-3 Customers – The costs allocated to the combined SCS-1, SCS-2, and SCS-3 customer classes will be based on the allocation of costs as established by the APSC and allocated to the original SCS class as described in paragraph 1.4.1. The demand portion of the rate for the non-TSO SCS-1 customers and the non-TSO SCS-2 customers (during the November-March period) will be determined by dividing the costs attributable to the SCS customer class reduced by the anticipated demand revenue paid by SCS-2 class in the summer period (April – October) and further reduced by the demand revenue paid by the SCS-3 class for the entire year (September – August), by the sum of the projected annualized SCS-1 volumes and the projected SCS-2 winter volumes (November-March). The demand portion of the rate for the non-TSO SCS-2 customer class in the summer period (April – October) will be $0.01984 per Ccf. The demand portion of the rate for the non-TSO SCS-3 customer class will be $0.04310 per Ccf for the entire period (November – October). AT AT AT

1.6. SPECIAL PROVISION REGARDING TSO CUSTOMERS

LUFG costs - Customers under the TSO option will provide LUFG-in-Kind gas volumes. The LUFG-in-Kind (volumetric delivery requirement) for each customer's account will be determined based on the most recent twelve-month ended August period and expressed as a percentage of the gas delivered for the customer's account at the customer's point of consumption. The percentage will be determined by dividing the allocated volumes of total LUFG in the respective class (SCS or LCS) by the total estimated sales volumes in their respective class.

Assignment of Surcharges to TSO Customers - In the event an LCS-1, SCS-1, or SCS-3 customer changes its supply service election at the end of the contract term from the system supply option (SSO), the amount of the deferred gas cost account attributable to that customer shall be charged or distributed to that customer, whichever is applicable. The charging to or distribution of the deferred AT gas cost account attributable to that customer shall be removed or added to the deferred gas cost account of the applicable rate schedule.

1.7. DEFERRED PURCHASED GAS COST ACCOUNTS

The Company shall establish and maintain a Deferred Gas Cost Account(s) in which shall be recorded any over or under recovery resulting from the operation of the GSR procedure. Such over or under recovery by class shall be determined monthly by comparison of the actual Cost of Gas Sold as defined above for each cost month to the gas cost revenue recovery for the same revenue month as the cost month. The accumulated balance of over or under recovered gas costs, plus the carrying charge described below, shall be used to determine the surcharge. The surcharge shall be computed annually by dividing each class' cumulative balance over recoveries or under recoveries as of the end of each August by the respective class' estimated volumes of sales for the projected twelve-month period. The surcharge shall be filed annually and will be included with the Scheduled Winter Season GSR Filing and shall be rounded to the nearest $0.0001 per Ccf. The surcharge shall remain in effect until the earlier of: (1) superseded by a subsequent surcharge calculated according to this provision or, (2) the beginning of the second revenue month following the month in which the full recovery or refund is accomplished if such full recovery or refund is accomplished prior to the end of the established recovery period.

A carrying charge shall be included in the monthly under or over recovery balance resulting from the monthly comparison of the actual Cost of Gas Sold to the revenue recovery resulting from the application of the prescribed GSR, and a carrying charge shall be included in the monthly under or over recovery balance applicable to the surcharge. The monthly carrying charge shall be determined by multiplying the average of the beginning and ending month balance of under or over recovery for the cost month times the annual Commission approved rate of interest applicable to customer deposits.

1.8. DEMAND ALLOCATION

It is recognized that over time as customer classifications change or demand levels change, the accuracy of the originally approved demand factors may deteriorate. The Company or the Staff of the APSC can request a change in the allocation procedures with a minimum three month lead time prior to the filing date for the seasonal filings. Changes under this provision are limited to changes required to restore the accuracy of the originally approved demand factors and shall be not be used by either the Company or Staff to implement changes in allocation methodologies that would normally require a general rate application. The changes will be calculated using the methodology for peak day calculations approved by the Commission in Docket No. 06-161-U. If the Company and Staff disagree on the need for, or calculation of, a revision, no changes will be entered absent a ruling from the Commission.

1.9. REFUND PROVISION

If an increase in the cost of gas paid or payable to the Company shall be reduced by the final order of a duly constituted regulatory body or the final decree of a court, if appealed thereto, and such increase shall have been reflected in the Company's rate to the extent and in the manner specified in this GSR, the Company shall report to the Commission the receipt of any refunds resulting from such final order or decree. Thereupon, the Company shall submit for the Commission's approval a plan to make equitable disposition of such refund monies to the extent such monies represent increased charges paid by its customers as result of this GSR; provided, however, that if the amount to be refunded to customers hereunder with respect to a particular refund received does not amount to more than one-tenth cent per Ccf, then the Company will apply that refund as a credit in its cost of gas computations hereunder for the month in which it receives the refund from its supplier. Nothing in this clause shall be construed to require refunds or a reduction of the Company's rate as a result of such an order reducing the cost of gas where the original increase in the cost of gas has not been reflected in the Company's billings for its sales to customers under this rate schedule.

1.10. TRANSITION PROVISION

If this tariff is superseded, then in the discretion the Company and with notification to the Commission, for any under or over recovery of costs accumulated at the date of transition, the Company may increase or decrease the period over which those costs are included in the cost of gas adjustment.

1.11. APPLICABLE RATE SCHEDULES

Residential Firm Sales Service (RS-1)
Small Commercial Firm Sales Service (SCS-1)
Small Commercial Firm Sales Service—Off-Peak (SCS-2)
Small Commercial Firm Sales Service—Pilot NGV (SCS-3) AT
Large Commercial Firm Service (LCS-1)
Unmetered Gas Light Firm Sales Service (GL-1)