
GAS SUPPLY COST ADJUSTMENT

1. APPLICABILITY.

The Gas Supply Cost Adjustment (GSCA) determined hereunder shall be applied to all sales rate schedules contained in the Company's tariff unless otherwise specifically stated. The GSCA is the Company's purchased gas adjustment clause.

2. COMPUTATION PERIOD AND FREQUENCY.

The Company will determine the GSCA as the summation of the Gas Supply Cost and the Actual Cost Adjustment pursuant to paragraphs three through six herein. The GSCA will be calculated on a monthly basis. The GSCA effective on the ending meter read date will be used for bill computation.

3. DETERMINATION OF GAS SUPPLY COST.

The Gas Supply Cost (GSC) for the period shall be determined by summing the costs for Purchased Gas (PG) and Upstream Transportation (UT).

- a. The PG component is equal to the average composite unit cost to the Company for purchasing, gathering, treating, and processing of gas or any other services, fees, and taxes assessed, under contract or otherwise multiplied by quantities of gas received or to be received by customers. The PG cost is calculated monthly.
- b. The UT Component shall include costs to the Company for upstream transportation and storage. Total UT costs from January through December will be used to calculate the Upstream Transportation Recovery Factor (UTRF). The UTRF will remain in effect for the subsequent 12-month period. At the Company's discretion, the UTRF may be recalculated within the 12-month period in the event that there is a significant change in the UT costs.
- c. PG and UT costs shall include costs included in FERC accounts 800, 801, 802, 803, 804, 805, 806, and 808 applicable to each system. The Company will separately identify and account for PG and UT costs related to each of the above listed gas supply cost categories.

GAS SUPPLY COST ADJUSTMENT (Continued)

4. PROJECTED GAS COST RATES DETERMINATION.

The projected monthly PG rate will be determined by dividing projected PG costs as defined in paragraph 3a. by the projected monthly sales.

5. GAS COST ADJUSTMENT AND ACCRUAL.

a. The Company shall determine on a monthly basis the difference between (1) the actual GSC for the month as determined in accordance with paragraph 3 and (2) GSC revenues collected during the month.

b. The monthly difference between actual costs and revenues calculated in accordance with the Section 5a. shall be recorded in Account 191 – Unrecovered Purchased Gas Costs of the Uniform System of Accounts.

c. Annually, the Company will determine an Actual Cost Adjustment (ACA) for the GSC which is calculated as the difference (if any) between the GSC revenues collected and the actual GSC costs for the preceding 12-month period. The ACA (if any) will be used to determine an Annual Cost Adjustment Factor (ACAF) which is calculated by dividing the GSC balance as included in FERC Account 191 (if any) by the actual sales for the preceding 12-month period. The ACAF will be a charge or credit which will be effective for the subsequent 12-month period.

6. CAPACITY RELEASE CREDITS

Capacity release credits (if any) will be applied to the UT costs in the month the credit was received.

GAS SUPPLY COST ADJUSTMENT (Continued)

7. LINE LOSS LIMITATIONS.

In the event that the line loss (unaccounted for gas) statistic for the computation period exceeds the limit of four percent (4%) (utilizing total gas purchases and sales made by Company in Kansas), the Company will compute the GSCA using the limit value rather than the estimated operating statistic value.

8. REFUND PROVISION.

- a. For the purpose hereof, refunds or a balance in the refund account in excess of 0.03¢ per Therm for purchased gas from suppliers, (including interest from suppliers) received by the Company from charges paid for natural gas resold to its sales customers, shall be refunded to such customers as a reduction in the GSCA. Within ninety (90) days of the receipt of a refund in excess of 0.03¢ per Therm for purchased gas from all suppliers or the balance reaching the equivalent of 0.03¢ per Therm for purchased gas from all suppliers, the Company will make effective the appropriate GSCA reflecting the decrease and an associated statement showing the computation of the refund adjustment.
- b. The refund adjustment per Therm shall be determined by dividing the appropriate refund amount for these customer classes, including interest received from suppliers, by the estimated Therm sales in the last 12-month period. The amount of the unit refund adjustment shall be computed to the nearest 0.0001 cent per Therm.
- c. The length of the refund period shall generally be twelve (12) months, except that each refund period may be lengthened or shortened by the Company, to avoid a total refund materially above or below the refundable amount.
- d. After the refunding period is completed, the difference between the refund(s) received from the Company's suppliers and the amount refunded to the respective customer classes, shall be determined and said difference (debit or credit) be retained in the refund account(s) until such time as a subsequent refund is received from such suppliers. The balance in said refund account(s) shall be added to any subsequent refund before computing a new refund adjustment.

Issued By: Pat Parker, Chief Executive Officer

Effective Date: July 1, 2021

Approved or Adopted by Midwest Energy, Inc. Board of Directors: May 17, 2021

GAS SUPPLY COST ADJUSTMENT (Continued)

e. In the event refunds received during the year from the Company's suppliers are less than the equivalent of 0.03¢ per Therm for purchased gas from all suppliers, for the above-enumerated customer classes combined, said refund shall be credited to the refund account. The credit balance in said account, exclusive of those amounts which have been included in the calculation of refunds then in progress, shall be accumulated to the equivalent of 0.03¢ per Therm for purchased gas from all suppliers before commencing a subsequent refund as hereinabove provided.

9. EXTRAORDINARY COST RECOVERY

In the event that extraordinary gas supply costs are incurred due to an abnormal weather event that would cause extreme customer rate impacts if recovered through the GSCA, at the discretion of the Company such costs may be collected through a recovery mechanism separate of the GSCA. The amount to be collected, recovery period, and resulting rate(s) shall require approval by Midwest Energy's Board of Directors.

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