

## ALTERNATIVE REGULATION PLAN

This Alternative Regulation Plan (the “Plan”) is established pursuant to 30 V.S.A. § 218d. The Plan establishes the method by which the Public Utility Commission (the “PUC” or the “Commission”) will regulate the rates charged for all jurisdictional products and services offered by Vermont Gas Systems, Inc. (“VGS” or the “Company”), during the term of the Plan.

1. Term of the Plan.

- a. The Plan shall be effective on October 1, ~~2020~~2021, to be implemented with bills rendered November 1, ~~2020~~2021, and have a term that will expire on September 30, ~~2023~~2024, after three years (hereinafter “Rate Years”) unless extended under ~~Subparagraph 1(b)~~Paragraph 1(b) of this Plan, provided however amounts due from or owed to customers related to the PGA Adjustment, Weather Variance, or over or under Earnings Adjustments relating to periods prior to termination shall continue beyond the end of Plan term, and any remaining balances after the Plan is terminated shall be deferred and recovered from or returned to customers in a subsequent rate proceeding.
- b. VGS shall have the option, after consultation with the Department, of Public Service (the “Department” or “DPS”), to request that the Plan be extended for a two-year term beginning on October 1, ~~2023~~2024, and expiring on September 30, ~~2025~~2026. If VGS seeks to extend the Plan, it shall make such request no later than February 15, ~~2023~~2024, and the request will be accompanied by an assessment of the Plan’s effectiveness, specifically addressing the criteria contained in 30 V.S.A. § 218d as well as any other criteria required by the PUC. Such request will also include any proposed amendments to the Plan, and the overall effect on Base Rates during the two extended Rate Years. The PUC will approve or reject the amendment by May 1, ~~2023~~2024.
- c. Vermont Gas will file a traditional ~~cost~~Cost of ~~service~~Service (“COS”) prior to the termination of the Plan for the Rate Year beginning October 1, ~~2023~~2024, or, if an extension of the Plan is permitted, for the Rate Year beginning October 1, ~~2025~~2026.

2. Regulatory Framework.

- a. Title 30, including Sections 218, 225, 226, 227 and 229, will continue to apply except as specified herein.

b. The goal of this Plan is to regulate VGS’s rates as provided herein and to fulfill the objectives of Section 218d(a), including to provide smooth and transparent rates for customers, to support VGS’s provision of safe and reliable service, to decrease the link between VGS’s financial outcomes and ~~its~~ retail sales, and to encourage innovation by VGS to meet Vermont energy goals, including on carbon reduction. To accomplish these goals, the Plan sets out in Paragraph 3 the terms for recovery in rates of VGS’s operations and expenses other than the purchase of natural gas (hereinafter “Base ~~Rate~~Rates”), and separately sets the method by which the Company shall be entitled to recover its gas costs in accordance with the Purchased Gas Adjustment (~~the~~“(“PGA”)), as established by Paragraph 8 of this Plan.

3. Base Rates.

a. Except as provided for in ~~paragraph~~Paragraph 3-(c-), VGS shall increase its Base Rate as shown in the table below and shall ensure its withdrawals from the System Expansion and Reliability Fund (“SERF”) maintain these Base Rates each Rate Year during the Plan, with the intent of fully utilizing the SERF to smooth rates for customers by the end of ~~FY2023~~FY2024.

Rate Year	Base Rate Change effective bills rendered November 1
<del>FY2021</del>	<del>__%</del>
FY2022	__%
FY2023	__%
<u>FY2024</u>	<u>__%</u>

b. No later than June 30 of each year covered by the Plan, Vermont Gas shall file compliance tariffs reflecting the Base Rate change for the next Rate Year and the proposed SERF withdrawal. -Customers shall be provided notice of the proposed rate change approximately 60 days in advance on a bills-rendered basis and approximately 30 days in advance on a service rendered basis.

c. The Base Rate change shown in ~~paragraph~~Paragraph 3-(a-) may only be modified in the following circumstances:

- i. The occurrence of an Exogenous Event as defined in ~~paragraph~~Paragraph 4 below.
- ii. The earnings calculation described in ~~paragraph~~Paragraph 5 yields an earning variance of more than 200 basis points.
- iii. The change in return on equity described in ~~paragraph~~Paragraph 6 exceeds 150 basis points.
- iv. Recovery of Commission-approved expenses related to Case No. ~~17-4630-INV and Case No.~~ 17-3550-INV.
- v. The development of ~~a significant new strategic offering~~innovative services or ~~investment not~~investments that exceed VGS's Climate Action and Innovation Budget ~~as contemplated at the time this Plan was developed by Paragraph 9(c) and reviewed, including pursuant to paragraph 9.(d).~~
- vi. Commission-approved changes in rate design.

d. Base Rates shall include a Climate Action and Innovation Budget as set forth in Paragraph 9(b).

~~d.e.~~ Nothing in this Plan shall be interpreted as preventing the PUC from investigating any such Base Rate Adjustment, and, unless otherwise ordered by the Commission, any such Base Rate Adjustment shall take effect subject to change by any final Commission order in any ~~docket~~case initiated to investigate VGS's Base Rates.

#### 4. Exogenous Events.

An Exogenous Event is defined as:

- a. An event outside of the Company's control exceeding \$200,000 in cost or benefit during a 12-month period, such as, but not limited to: changes in state or federal tax law; changes in Generally Accepted Accounting Principles; other regulatory, judicial, or legislative changes affecting the Company; and state or federal pipeline safety, operation, or maintenance requirements.
- b. If an Exogenous Event occurs, the Company may seek approval from the Commission to account for it in rates, either separate from, or as part of, the annual Base Rate change. -If the Exogenous Event benefits customers, unless otherwise ordered by the Commission, the Company will confer with the Department and propose a mechanism to return the benefit to customers expeditiously.
- c. If an Exogenous Event occurs that results in the Company seeking an adjustment in rates separate from the annual Base Rate change, the Company will provide the Commission, the

Department, and customers 60 ~~days~~ days' advance notice of the proposed rate change, and unless otherwise ordered by the Commission, the rate change will go into effect thereafter on a bills-rendered basis.

5. Earning Sharing.

- a. To ensure that the Base Rate Changes provided in ~~paragraph 3a.~~ Paragraph 3(a) yield just and reasonable rates, annually, no later than November 30, the Company will calculate ~~an earning sharing mechanism~~ the Earning Sharing Mechanism ("ESM") based upon the prior ~~Fiscal Year.~~ fiscal year. The intent of the ESM is to have a dead band, 50 basis points above or below ~~Vermont Gas's~~ VGS's authorized return. -Within the dead band no ~~earnings~~ earning sharing occurs. -Above the dead band, ~~earnings~~ earning sharing occurs 75% to customers and 25% ~~for~~to Vermont Gas, up to 200 basis points. -Below the dead band ~~earnings~~ earning sharing occurs 50% to Vermont Gas and 50% for customers, up to 200 basis points.- Earning shortfalls or excess earnings in excess of 200 basis points will be recovered from or returned to customers.
- b. The ESM will be calculated by comparing the actual return to the authorized return using the following formula:

$$OE/UE = E - E_A$$

Where:

OE/UE = Over-Earnings/Under-Earnings.

E = Actual Earnings, excluding lobbying, donations, long-term incentive compensation, and 50% of short-term incentive compensation.

E<sub>A</sub> = Allowed earnings based on authorized return on equity and 50% equity ratio applied to actual rate base.

No ESM will occur if OE/UE is equal to or less than +/- 50 basis points of ~~VGS's~~ VGS's authorized return on equity.

Where OE-/UE yields a positive number above the 50-basis-point dead band, 75% of the over-earnings will be returned to customers and 25% will be retained by the Company, up to 200 basis points. —Where OE/UE yields a negative number, the Company will absorb 50% of the shortfall and recover the other 50% from customers, up to 200 basis points.

If the ESM results in an earnings shortfall or excess earnings in excess of 200 basis points, the amount in excess of 200 basis points will be recoverable from or returned to customers.

~~Unless otherwise agreed to by VGS and the Department, and approved by the PUC, over or under earnings shall be returned to or collected from firm customers via a bill credit or charge per Ccf over a twelve-month period, effective with bills rendered on and after February 1, except that earning shortfalls in excess of 200 basis points may be recovered via SERF or a change in Base Rate pursuant to ~~paragraph 3a.~~Paragraph 3(a).~~

6. Return on Equity:

- a. The change in ~~return~~Return on ~~equity~~Equity (“ROE”) as calculated in accordance with this paragraph shall have no impact on the Base Rate change described in ~~paragraph 3a~~Paragraph 3(a) except when the change in ROE exceeds 150 basis points as provided for in ~~paragraph 3c.~~Paragraph 3(c).
- b. The Company’s initial authorized ROE for purposes of the initial Rate Year covered by the Base Rate shown above for ~~FY2021~~FY2022 shall be ~~\_\_\_% with the Commission’s Order established in Case No. 19-0513-TFVGS’s traditional rate case to be filed in February 2021, providing the baseline ROE and, for purposes of the ESM described in Paragraph 5, shall be adjusted each fiscal year thereafter at one-half the change in the composite 10-Year Treasury Note Rate ~~as provided in this subparagraph.~~~~
- c. The change shall be based on the composite 10-Year Treasury Note Rate as published by the U.S. Department of the Treasury for each date between ~~June~~June 1 and September 1 as compared to the same time period during the prior Plan year.
- d. For greater clarity, the data source for U.S. Treasury Note rates is currently located at: ~~<http://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield>~~<http://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield>.
- e. If the U.S. Department of the Treasury ceases to publish this rate during the life of this Plan, VGS and ~~the~~ DPS will work cooperatively to identify a replacement index rate.

7. Capital Spending.

- a. The Company’s initial forecast of capital spending, including a Climate Action and Innovation Budget, for the period covered by this Plan ~~is~~will be filed with the Commission

in connection with VGS's FY2022 rate case and will be provided as Attachment 1 to this Plan.

- b. ~~b. Not~~ No later than July 31 of any Plan year, VGS shall provide ~~the~~ DPS and the PUC with an estimate of actual capital expenditures for the current fiscal year and its forecasted capital expenditures for the upcoming fiscal year. ~~VGS shall also provide:~~
  - i. A summary of the major variances in capital expenditures between its initial or annual capital expenditure forecast and expected actual capital expenditures assessment; and
  - ii. A summary of the major changes in the annual capital expenditure forecast from the capital expenditures shown on **Attachment 1**.
- c. ~~e.~~ Deviations in the Company's capital spending will not result in a modification to the rate changes shown in ~~paragraph 3a.~~ Paragraph 3(a) except to the extent an exception is triggered under ~~3e.3(c).~~

#### 8. Purchased Gas Adjustments.

The Purchased Gas Adjustments ("PGA") during the Plan are designed to separate the cost of gas incurred by the Company for its customers from the Company's other costs as reflected in its Base Rates, as follows:

- a. PGA shall consist of an average cost per ~~eef~~ Ccf based on forecasted costs and volumes for the rate year and to correct for any under- or over-collection of gas costs and weather normalization during the previous quarter, as follows:
  - i. Costs to be recovered through the PGA are costs related to the purchasing, storing, production, and transporting of natural gas to serve sales customers. ~~As further~~ described in **Attachment 2**, they include: a) Firm commodity costs (including renewable natural gas); b) Interruptible commodity costs (including spot purchases and renewable natural gas); c) Storage withdrawals, including variable injection and withdrawal costs; d) Peaking commodity costs; e) Commodity costs for off-system sales; f) Propane air commodity (propane only) costs; g) ~~TCPLTC Energy~~, Enbridge or other pipeline tolls and charges; h) Storage-related demand charges; i) Peaking demand charges; j) Hedging positions: natural gas and foreign exchange; k) Hedging instrument premiums; l) Capacity or asset management revenues; m) Canadian federal or provincial taxes imposed on gas purchases or pipeline tolls, including any gains or

- losses due to changes in exchange rate on tax payments and reimbursements;
- n) ~~System~~ losses and ~~company~~Company use; and o) Other gas costs that may occur and are appropriately charged to FERC accounts 800 through 805.
- ii. The definition and determination of these components is shown in Attachment 2. ~~In~~ its annual supply filing pursuant to Paragraph 11 of this Plan, VGS will highlight any changes to its supply portfolio or to the definitions and determinations shown in Attachment 2.
- iii. Schedule for PGA filings: ~~Quarterly~~, no later than the third-to-last business day of November, February, May, and August, VGS shall notify the PUC and ~~the~~ DPS of the PGA that will be billed to firm customers commencing on the first day ~~beginning~~ of the third subsequent month (e.g., adjustment filed on November 25 is effective on bills rendered on and after February 1).
- iv. The rate year reflected in the PGA shall be the twelve-month period beginning with the second subsequent ~~months~~month (e.g., adjustment filed on November 25 reflects upcoming January to December rate year).
- v. VGS shall give individual notice to customers of each PGA ~~of~~ not less than 55 days before bills are rendered and not less than 25 days before service is rendered.
- vi. Content of PGA ~~Filings~~filings: The quarterly PGA filing shall include:
- a) Forecasted Gas Costs for the 12 months beginning two months forward. - Forecasted Gas Costs will be calculated based on ~~then-~~ current pipeline tolls, fixed-price contracts, and market forecasts for unhedged indexed supplies, minus projected interruptible and off- system sales revenue;
  - b) Forecasted Gas Sales Volumes for the 12 months beginning two months forward, based on projected numbers of customers and 10--year normal weather;
  - c) Actual Gas Costs for the previous quarter, net of interruptible and off-system revenue;
  - d) Actual Firm Gas Sales Volumes for the previous quarter;
  - e) Actual Firm Gas Charge Revenues for the previous quarter;
  - f) The proposed new Gas Charge, which will be calculated to recover on a 12-month basis Forecasted Gas Costs and to discharge any Adjustment required by over- or under--collection of Gas Costs and weather variance from the previous quarters-; and

g) -The amount of RNG added to VGS's general supply portfolio along with an explanation of the considerations identified in Paragraph 8(d) below.

b. The PGA will be calculated using the following formula:

$$\text{GAS CHARGE} = \frac{-(12\text{-MONTH COST FORECAST} \pm \text{PGA ADJUSTMENT} \pm \text{WEATHER VARIANCE})}{12\text{-MONTH VOLUME FORECAST}}$$

Where:

Gas Charge = Price per ~~ee~~Ccf for gas sold to firm customers.

12-Month Cost Forecast = Forecast of Gas Costs identified above.

PGA Adjustment = The difference between previous quarters' Actual Gas Costs (net of interruptible and off-system revenue) and Actual Firm Gas Charge Revenues.

Weather Variance = The difference between previous quarters' actual firm distribution revenue and weather-normalized distribution revenue.

12-Month Volume

Forecast = Forecast of firm Gas Sales Volumes for the 12 months beginning 2 months forward, based on projected numbers of customers and 10-year normal weather.

c. For ~~purpose~~purposes of determining weather-normalized variance, the use per degree day, per customer, by firm rate class in the most recent August PGA filing will be applied to the difference between actual degree days and degree days in the most recent August PGA filing ~~times~~multiplied by the actual number of customers.- The resulting Mcf adjustment, by rate class, will be multiplied by the distribution charge, by rate class, to determine the weather adjustment.- The calculation, by firm rate class, by month will be as follows:

$$\text{WV} = (\text{Customers} * \text{UDD} * (\text{DD}_a - \text{DD}_n)) * \text{DR}$$

Where:

WV = Weather Variance

Customers = Actual number of customers

UDD = Use per degree day from August PGA filing

DD <sub>a</sub>	=	Actual Degree Days
DD <sub>n</sub>	=	Degree Days per August Filing
DR	=	Distribution Rate

The resulting WV will be returned to or collected from customers in the subsequent PGA filing.

- d. PGA Renewable Natural Gas Feature: Over the term of this Plan, VGS may include RNG as a component of its overall supply. On an annual basis, VGS may include RNG under the PGA representing no more than 2% of VGS's overall retail gas sales. The amount of RNG included in order each PGA filing will be based on considerations regarding the overall impact on rates, VGS's competitive position, the extent to which VGS is increasing RNG under its Voluntary RNG Program, and the environmental benefits of adding RNG supply. This PGA RNG Feature is designed to advance the State's energy goals and lower carbon emissions, VGS may seek to at least cost. Nothing in this paragraph mandates an increase the use of RNG by including it as a component of its overall supply portfolio in RNG during any given year of the Plan.
- e. Nothing in this Plan will be interpreted as preventing ~~the~~ DPS from asking the PUC to investigate or the PUC from investigating the prudence of the gas costs charged to VGS customers under the PGA.

9. Climate Action and Innovation Programs-

- a. Climate Action Initiatives: During the Term of this Plan, VGS shall pursue and consider projects, programs, and services that support Vermont's statewide energy goals by advancing promising technologies to facilitate efficient, lower carbon energy choices for its customers (e.g., researching and seeking to pursue district energy, renewable natural gas, uses of waste heat to lower usage of natural gas, power-to-gas ~~project~~ projects, more efficient or less carbon-intensive equipment for heating and industrial processes, etc.).-  
~~a. Any such project, program or services that VGS wishes to implement during the Plan shall be explained by VGS in an informational filing with the Department Climate Action and PUC; if it is a program that VGS intends to offer to customers, VGS will propose a timeline upon which it will be offered to allow any objection or request for investigation to be filed with the Commission. Such filing shall be first provided to the Department to allow the Department time to review and provide feedback to VGS.~~

- b. ~~New programs, projects or services developed during the term of the Plan shall not result in any additional Base Rate adjustments~~ Innovation Budget: VGS's Base Rates under this Plan, ~~except insofar as they are specifically requested to be an exception to the Base Rates in VGS's annual filing under Paragraph 3.~~ shall include \$2 Million in spending, per year, for Climate Action and Innovation, a portion of which shall be operating and maintenance costs of \$500,000 annually.
- c. If the development of innovative services or investments is expected to ~~trigger~~ exceed VGS's Climate Action and Innovation Budget such that it triggers a rate adjustment pursuant to ~~subparagraph~~ Paragraph 3-(c-7), Vermont Gas will confer with the Department prior to ~~filing.~~ making a filing consistent with Paragraph 9(d).
- d. ~~Such~~ Innovative services that trigger a rate adjustment pursuant to Paragraphs 3(c) and 9(c) shall require a filing ~~shall contain~~ that contains the following:
- i. A description of the program, project, or service VGS will pursue, including, where applicable, information on the type, number, and eligibility of customers to which such offering will be made.
  - ii. How it supports ~~Vermont~~ Vermont's energy goals, including where possible quantification of expected carbon savings or other benefits that help advance Vermont's Comprehensive Energy Plan of meeting 90% of energy supply with renewable resources by 2050 and reducing fossil fuel consumption and reducing greenhouse gas emissions 80-95% below 1990 levels by 2050.
  - iii. How such program will enhance and complement the efficiency work undertaken by VGS as a part of its EEU appointment.
  - iv. The ~~costs~~ cost of the program, project, or service to ~~VGS~~ VGS's participating and non-participating customers, including capital expenditures (if any), expected Base Rate impacts, along with all relevant assumptions utilized for such analysis.
  - v. The timeline for the program, project, or service offering.
  - vi. A description of any variances from tariffed terms and conditions that are required to pursue such program, project, or service, and the customer terms under which VGS will implement it.
  - vii. A description of customer outreach and education that will be utilized by the Company in conjunction with the offering.

- e. Climate Action and Innovation Performance Metrics: The Company will track the data and trends for each applicable category shown on the Climate Action and Innovation Performance Metrics sheet included as Attachment 3 to the Plan. The Company will report on its innovative ~~services initiatives~~performance metrics under this Paragraph ~~annually~~ by November 30, ~~2024~~2022, and annually by November 30 thereafter, ~~including. For~~ innovative services provided as contemplated by Paragraph 9(c). VGS will include a report regarding the manner in which such services advance Vermont’s energy and climate goals, including quantification of carbon savings where applicable, estimated level of investments, expense, and potential rate adjustment pursuant to ~~paragraph~~Paragraph 3-(c-), if any.

10. Performance, Safety and Service Quality and Reliability Plan Reporting.

- a. VGS shall continue to comply with its existing Service Quality and Reliability Plan (the “SQRP”).-
- b. The Company shall ~~maintain and advance its focus on safety and Vermont’s energy goals-~~ by annually reporting in a filing report by November 30 on key performance metrics and information including but not limited to:
- i. ~~Carbon savings~~
- i. Cross-bore program progress.
- ii. Timeliness of pipeline leak repair.
- iii. Customer safety-awareness.<sup>1</sup>

11. Management of Gas Supply.

- a. Annually, no later than July 1 during the term of this Plan, the Company shall file with ~~the~~ DPS and the PUC its gas-supply plan for the gas year commencing on October 1 of that year (the “Gas-Supply Plan”), which Gas Supply Plan shall also provide an overview of the Company’s progress in advancing the amount of renewable natural gas available to its customers.

12. Dispute Resolution.-

- a. VGS and ~~the~~ DPS will resolve any disputes about regulation of VGS under this Plan in accordance with the provisions of this Paragraph 12. -
- b. VGS or ~~the~~ DPS, as the case may be, will provide notice in writing of any such dispute.-

<sup>1</sup> As measured from annual customer satisfaction survey.

- i. ~~i.~~ For ~~the~~ DPS, notice shall be provided to the DPS Commissioner.
- ii. For VGS, notice shall be provided to its Chief Executive Officer (“CEO”).
- c. Within 30 days of such notice, representatives of VGS and ~~the~~ DPS will meet to attempt to resolve the dispute.
- d. If the representatives of VGS and ~~the~~ DPS are unable to resolve the dispute within 60 days of such notice, the dispute will be referred to the DPS’s Commissioner and VGS’s CEO, who will meet at least once to attempt to resolve the dispute. -
- e. If the dispute is not resolved within 90 days of such notice, either VGS or ~~the~~ DPS may petition the PUC to resolve the dispute, which, if appropriate, may be treated by the PUC as a petition to amend the Plan under Paragraph 13 of this Plan.

13. Amendment of Plan.-

- a. Subject to the requirements of 30 V.S.A. § 218d, VGS or ~~the~~ DPS, jointly or separately, may request that this Plan be amended to modify its existing provisions or to add provisions.-
- b. If the request to amend is not made jointly by the parties, then the procedures of Paragraph 12 will apply to any request to amend the Plan.

**DEFINITION AND COMPONENTS OF  
PURCHASE~~PURCHASED~~ GAS ADJUSTMENTS**

- A. Firm commodity costs, including spot purchases, are non-storage, non-peaking supplies, including RNG, incurred for resale to the firm market and will be based on the contractual pricing and volumes associated with VGS's supply contracts in effect for the twelve-month forecast period.
1. If VGS's supply contracts expire during the twelve-month forecast period and no replacement contracts have been executed, the remaining months of the forecast period will reflect current market pricing.
  2. Current pricing for natural gas that has not been pre-purchased or is not under contract will be priced at the then-current NYMEX (Henry Hub) strip for the forecast period, adjusted for the then-current basis differential for the forecast period to the spot market purchase point.
  3. NYMEX-based contracts will be priced at the then-current NYMEX (Henry Hub) strip for the forecast period.
  4. AECO or Empress-based contracts will be priced at the then-current NYMEX (Henry Hub) strip for the forecast period, adjusted for the then-current NYMEX (Henry Hub) to AECO or Empress basis differential for the forecast period.
  5. RNG purchased for inclusion in ~~VGS'~~VGS's supply portfolio will be priced at the projected RNG Adder which incorporates the terms of the RNG contracts then in effect.
  6. The then-current NYMEX (Henry Hub) strip and basis differential will be based on the average of the last five trading days ending between two and five trading days before filing.
  7. Pre-purchased natural gas purchases will be reflected at the volumes and price agreed to in a confirmation transaction.
  - ~~8.~~—Contracts stated in Canadian dollars will be expressed in U.S. dollars based on the Canadian Exchange Rate for the same five trading days as used for NYMEX and basis differential-
  8. and any Canadian Exchange Hedges that have been executed for the period.

9. Capacity or asset management revenues will be reflected to the extent they are guaranteed during the forecast period. -Otherwise such revenues will be ~~credit~~credited to gas costs as they are incurred and reflected in the deferral balance.
  10. RNG balances consistent with the framework of the RNG plan approved in Docket No. 8667 or as subsequently modified.
- B. Interruptible commodity costs (including spot purchases and RNG) will be determined as follows:
1. Interruptible commodity costs are all commodity costs incurred for resale to the interruptible market and will be based on the contractual pricing and volumes associated with VGS's supply contracts in effect for the twelve-month forecast period, including any pre-purchase of spot gas.
  2. If VGS's supply contracts expire during the twelve-month forecast period and no replacement contracts have been executed, the remaining months of the forecast period will reflect current market pricing.
  3. Current pricing for natural gas that has not been pre-purchased or is not under contract will be priced at the then-current NYMEX (Henry Hub) strip for the forecast period, adjusted for the then-current basis differential for the forecast period to the spot market purchase point.
  4. NYMEX-based contracts will be priced at the then-current NYMEX (Henry Hub) strip for the forecast period.
  5. AECO or Empress-based contracts will be priced at the then-current NYMEX (Henry Hub) strip for the forecast period, adjusted for the then-current basis differential for the forecast period.
  6. The then-current NYMEX (Henry ~~hub~~Hub) strip and basis differential will be based on the average of the last five trading days ending between two and five trading days before filing.
  7. Pre-purchased natural gas purchases will be reflected at the volumes and price agreed to in a confirmation transaction.
  8. Contracts stated in Canadian dollars will be expressed in U.S. dollars based on the Canadian Exchange Rate for the same five trading days as used for NYMEX and basis

differential and any Canadian Exchange Hedges that have been executed for the period.

- C. Storage withdrawals, including variable injection and withdrawal costs, will be determined as follows:
1. Variable storage injection and withdrawal costs will be reflected at the rates in place at the time of the PGA filing.
  2. Storage withdrawals are volumes of gas withdrawn from storage, including fuel, and will be priced using the projected storage ~~weighted average cost~~ Weighted Average Cost of gas (“WACOG”). The projected WACOG will reflect projected injection and withdrawal volumes, current market prices for injected volumes, including the impact of any hedge positions in effect for storage injections, and then-current ~~TCPLTC Energy~~ fuel ratio for storage withdrawals.
- D. Peaking commodity costs will be determined as follows:
1. Peaking commodity costs will be based on the contractual pricing and volumes associated with VGS’s peaking supply contracts in effect for the twelve-month forecast period.
  2. Market-based pricing such as an “Iroquois price” will be determined from then-~~current~~ current NYMEX (Henry Hub) strip for the forecast period plus a basis differential using the same 5 trading days previously described.
- E. Off-system commodity costs will be priced at the point of sale and priced at the then-current NYMEX (Henry Hub) strip for the forecast period adjusted for the then-current basis differential.
- F. Propane commodity costs will be based on the then-current actual propane WACOG and will only include the cost of propane consumed, not any other costs of operating the propane air plant.
- G. ~~TCPLTC Energy~~ and other pipeline tolls and charges will be established using the ~~TCPLTC Energy~~ Energy or other pipeline tolls to be in effect during the contract period applied to the contractual contract demand for the forecast period. Projected increases or decreases in such pipeline tolls will not be included until approved by the applicable regulatory agency, i.e., ~~NationalCanada Energy Board-Regulator~~ NationalCanada Energy Board-Regulator. Tolls stated in Canadian dollars will be expressed in U.S. dollars based on the then-current rate or hedged Canadian dollars as defined above.

- H. Storage-related fixed charges will be based on the fixed charges pursuant to the pricing provisions contained in any storage contract in effect during the twelve-month forecast period.
- I. Peaking demand charges will be set based on the contractual demand charges, if any, established in the peaking supply contracts in effect for the twelve-month forecast period.
- J. Hedging positions for natural gas, oil, and foreign exchange will reflect all hedges executed at the time of the PGA filing and in effect during the twelve-month forecast period, whether for firm or interruptible customers.
- K. Hedging instrument premiums will reflect any premiums actually incurred by VGS for the twelve-month forecast period.
- L. System losses and Company Use will be based on VGS's historical actual system losses, including company use for the most recent 12-month period.

M. Fuel Rates will be based on the most recent 12-month period available from the applicable pipeline.

M.N. Other gas costs include costs that may occur and are appropriately charged to FERC accounts 800 through 805, for example, the purchase of LNG or RNG. -To the extent VGS includes any other gas costs in its quarterly PGA filing, such costs will be identified in the supporting information and will be described in the annual reports described in paragraph Paragraph 11 of the Alternative Regulation Plan.