

DOMINION ENERGY SOUTH CAROLINA, INC. PURCHASED GAS ADJUSTMENT

This adjustment is applicable to and is part of the Company's gas rate schedules. The cost will be calculated to the nearest one-thousandths of a cent, as determined by the following formula, and will be included in the base rates to the extent approved by the Public Service Commission. All costs and factors will be recalculated monthly for a forward looking 12-month period. Adjustments in gas cost factors will be made for all factors in any month in which the recalculation indicates that any factor requires an adjustment of more than \$0.04 per therm. If the recalculation indicates the adjustment is less than or equal to \$0.04 per therm, then the Company may nevertheless adjust the rate if, in its sole discretion, it determines that a rate adjustment would reasonably impact customers' bills. The recalculation shall be made based on information current as of a mid-month date selected by the Company which allows for revised factors to be filed and acted on by the Commission before the first billing cycle of the month in which they are to be effective. All components of the recalculation (commodity costs, demand charges, sales, capacity release credits, over or under collections, carrying costs, etc.) shall reflect current forecasts and balances as of the date of the recalculation. Differences between cost of gas revenues actually billed and cost of gas expenses actually incurred for each month, as defined below, will be calculated monthly, for both Demand Charges and Commodity Benchmark charges, and accumulated. The accumulated amounts will be applied to subsequent cost of gas factor calculations as detailed herein with monthly carrying costs calculated at the rate of one-twelfth of the annual applicable interest rate. This annual rate is defined as the rate of interest as of the first day of each month for 10-year U.S. Government Treasury Bills plus an all-in spread of 65 basis points (0.65 percentage points) with this total carrying costs annual rate not to exceed 6%. The rate will be applied to the cumulative balance of over or under recovery as of the close of the prior month for each customer class for both demand and commodity with no carrying cost applied to incremental over or under-collection balances exceeding \$20 million dollars. The resulting interest adjustment will be applied to the demand and commodity cost of gas recovery balances for each customer class. The Demand Charges and Commodity Benchmark charges shall be calculated as set forth below.

A. Demand Charges:

$$\text{Demand Charges per Therm by Class} = \frac{[a-(b+c)] \times \text{Rate Class Percentages}}{\text{Firm Sales Therms by Rate Class}}$$

- (a) Capacity charges and reservation fees for transportation, storage and LNG.
- (b) Released capacity at 75% of the net compensation received from secondary market transactions. (See "Note 1" below)
- (c) Contract demand cost of gas charges, as applicable.

All calculations of Demand Charges by customer class shall be done monthly. Additionally, Dominion Energy South Carolina, Inc. ("DESC") will revise the rate class percentages to reflect the current annual peak day forecast in each annual Purchased Gas Adjustment filing.

NOTE 1: "Released Capacity" shall include all transactions which involve the use of gas transportation capacity rights, storage rights or similar off-system rights or assets owned by DESC, but only if the cost of those rights or assets is borne by firm gas customers in South Carolina. "Net value received" shall mean the gross compensation received from the "released capacity" transactions, less all transportation charges, taxes or other governmental charges, brokerage fees or commissions, or other costs or charges related to the transaction, including all costs incurred in purchasing natural gas supplies that form part of the transaction.

B. Commodity Benchmark:

Where: Gas Cost per Therm = $\frac{(p-d)}{s}$

- (p) Total variable cost of natural gas (processed or unprocessed), vaporized liquid natural gas, synthetic gas, propane-air mixture, landfill gas, or other source of methane gas or any mixture of these gases entering the Company's system in dollars including any additions or subtractions from Price Risk Adjustment.
- (d) The cost of gas attributable to all sales made by the Company to customers under a contract rate or any Special Market Priced Customers. This cost shall be the actual commodity cost of gas paid by such customers. (See "Note 2" below)
- (s) Total therm sales of gas. Total sales being defined as those sales excluding gas sold under (d) above recorded on the Company's books in Accounts 480 through 483 per The Uniform System of Accounts for Class A and B Gas Utilities of the National Association of Regulatory Utility Commissioners (NARUC).

NOTE 2: Special Market Priced Gas includes, without limitation, market priced gas sold to customers and emergency gas customers sold under provisions providing for Emergency Gas sales. The appropriate revenue related tax factor is to be included in the calculation of Demand Charges and the Commodity Benchmark.