

Missouri Gas Energy,
a Division of Southern Union Company
Name of Issuing Corporation

For: All Missouri Service Areas
Community, Town or City

PURCHASED GAS COST ADJUSTMENT
PGA

II. CALCULATION OF THE CURRENT COST OF GAS (CCG)

For the purpose of the computations herein, "commodity-related" shall mean gas costs relating to gas supply commodity charges, variable transportation charges, storage withdrawals, gas purchased under fixed price contracts, other FERC-authorized variable charges excluding any amounts for FERC authorized Take-or-Pay (TOP) or Transition Cost (TC) charges, and the Company's cost of gas price volatility mitigation instruments, including but not limited to financial instruments, except for call options for which only cost reductions expected to be realized during the months covered by the Company's PGA filing shall be reflected.

"Demand related" shall mean fixed (non-volumetric) costs relating to gas supply demand charges, charges for performance or surety bonds or letters of credit as required in gas supply contracts, fixed transportation charges, fixed storage charges and other FERC-authorized fixed charges excluding any amounts for FERC authorized Take-or-Pay (TOP) or Transition Cost (TC) charges; provided, however, that charges for performance or surety bonds or letters of credit that have been required by commodity suppliers as a result of the Transaction in Case No. GM-2011-0412 shall not be included in rates paid by MGE customers.

A per unit ϕ /Ccf shall be determined by dividing the sum of "Commodity Related" costs and "Demand Related" costs by estimated annual sales as set forth in Section VIII of this schedule.

III. CALCULATION OF THE ACTUAL COST ADJUSTMENT (ACA)

The Company shall establish and maintain a Deferred Purchased Gas Cost - Actual Cost Adjustment Account (ACA) which shall be credited with any over-recovery resulting from the operation of the Company's PGA procedure or debited for any under-recovery resulting from same. Such over- or under-recovery shall be determined by a monthly comparison of the actual total cost of gas and the cost recovery for the same month.

The "cost of gas" for a particular month will be calculated by using the as billed cost of gas shown on the books and records of the Company, but exclusive of refunds and fixed TOP charges and TC charges.

The "cost recovery" for a particular month shall be determined by calculating the product of the volumes billed during the month and the sum of that month's regular Purchased Gas Cost as adjusted by the FAF and the prior year "Actual Cost Adjustment" (ACA), as hereinafter defined. To this total, shall be added the demand related purchased gas costs billed directly to customers. The fixed TOP recovery factor, the fixed TC recovery factor and the refund factor shall be excluded from this calculation.

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month day year

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