
Rider 12
Environmental Cost Recovery

Applicable to All Rates
Except Rate 21 and Other Negotiated Contracts

* The charge for Environmental Cost Recovery ("ECR Charge"), applicable to all service classifications, shall be determined by the Company annually. Environmental remediation costs shall be charged to each applicable classification in identical percentages of the respective forecasted base rate revenues for each classification. For purposes of this rider, the following three classifications shall be applicable:

Residential (Rate 1)
Small Non-residential (Rates 4, 5, 74 and 75)
Large Non-residential (Rates 6, 7, 76 and 77)

Costs recoverable through the Environmental Cost Recovery Rider shall include all incremental costs incurred by the Company in connection with Environmental Activities as defined below. Such costs include, but are not limited to, fees, charges, billings, assessments or other liabilities (other than expenses for wages and salaries of the Company's employees); litigation expenses; acquisition costs of land purchased solely for the purpose of remediation; and costs or expenses associated with judgments, orders or decisions (including settlements) by a court, a governmental agency or department, or other adjudicatory or quasi-adjudicatory body. Recoverable costs will be credited to reflect proceeds received from insurance carriers or other entities which represent reimbursement of costs associated with environmental remediation that have been recovered by the Company through this rider.

As used in this rider: the term "filing month" shall mean the month in which a charge is determined by the Company and filed with the Commission; the term "Environmental Activities" shall mean the investigation, sampling, monitoring, testing, removal, disposal, storage, remediation or other treatment of residues associated with manufactured gas operations or with the dismantling of facilities utilized in manufactured gas operations or with other operations that generated substances subject to Federal, state or local environmental laws conducted at locations where manufactured gas operations or the dismantling of facilities utilized in manufactured gas operations were at any time conducted; the term "manufactured gas operations" shall mean all operations relating to the manufacture of gas, the storage, treatment, transportation and disposal of residues, and the storage of manufactured gas; the term "residues" shall mean and include any hazardous substance, raw materials, by-product, waste product and other residue.

An Annual Recovery Period is any calendar year following implementation of the rider.

On or before the 10th day of December each year, the Company shall file with the Commission an information sheet specifying the ECR Charge to be effective for service rendered during the following calendar year. Such filing shall include a statement showing the determination of such charge under Section A, the determination to be accompanied by data in explanation thereof.

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Section A - Determination of ECR Charge.

The Company shall determine under this Section the ECR Charge to be placed into effect with service rendered on and after the first day of January of each year. A separate ECR charge shall be calculated for each classification. Unless otherwise ordered by the Commission, such ECR Charge shall become effective as indicated in the information sheet filed with the Commission and shall remain in effect until superseded under the terms of this rider.

The ECR Charge shall be determined for each classification in accordance with the following formula:

$$ECR = \frac{(EC) \times P}{CT} \times 100 + ARC$$

$$ARC = \frac{ARB \times P}{CT} \times 100$$

Where: ECR = The Environmental Cost Recovery Charge for each classification in cents per therm rounded to the nearest 0.01¢; any fraction of 0.01¢ shall be dropped if less than 0.005¢; or, if 0.005¢ or more, shall be rounded up to the next full 0.01¢.

EC = The forecasted amount of Environmental Costs for the succeeding annual Recovery Period.

ARC = The Annual Reconciliation Charge for each classification in cents per therm rounded to the nearest 0.01¢; any fraction of 0.01¢ shall be dropped if less than 0.005¢; or, if 0.005¢ or more, shall be rounded up to the next full 0.01¢.

ARB = Annual Reconciliation Balance from any overcollection or undercollection during the immediately preceding calendar year. (See Section B)

P = Ratio of forecasted throughput classification base revenue to total Company forecasted base revenue.

CT = The amount of forecasted throughput for each classification.

If amounts received from insurance carriers or other entities cause the ECR to be negative, the adjustment determined will be a refund to Customers. If the Company determines during the Annual Recovery Period that it is appropriate to revise the ECR charge to better match revenues recovered under this rider with actual coal tar cleanup costs incurred, or insurance or other recoveries received, during the Annual Recovery Period, the

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Company may, from time to time, calculate a revised ECR charge for each rate class to become effective as of the beginning of any calendar month during the Annual Recovery Period.

* **Section B - Reconciliation.**

After each calendar year period, the Company shall make a reconciliation which will compare actual cost recovery (including recoveries through the rider and recoveries from insurance and other sources) with actual costs incurred.

The Company shall file with the Commission an information sheet specifying the ARC charge. This reconciliation amount will be adjusted for interest at the short term interest rate as determined by the Commission multiplied by 0.67, and will be refunded or collected over a 12-month period beginning April 1 of each year. Any amounts resulting in a rounded adjustment of less than 0.01 cents per therm shall be carried forward.

Section C - Reports.

The Company shall file with the Commission within 60 days after the end of each calendar year a statement reconciling the Company's actual environmental costs incurred with the amount recovered for such expenses through the Environmental Cost Recovery Rider. This statement shall also reconcile the net amounts, if any of environmental costs recovered from sources other than through this rider. The Statement of Expenses shall be certified by the Company's independent certified public accountants and verified by an officer of the Company.

Section D - Commission Review.

Upon review of the annual report filed by the Company under Section C, the Commission may, by order, require a hearing to receive from the Company such evidence as the Commission requires regarding any aspect of Environmental Activities for which costs were incurred in that year, including a prudence review of Environmental Activity costs incurred in the prior calendar year. Included in such review, the Company will provide testimony regarding the prudence of the Company's environmental costs included in the filing in accordance with: (1) reasonable and appropriate business standards; (2) the requirements of other relevant state and/or federal authorities; (3) the minimization of costs to ratepayers, consistent with safety, reliability, and quality assurance; and (4) the facts and knowledge that the Company knew or reasonably should have known at the time the costs were incurred. If, within 10 months after the filing of any annual report filed under Section C, the Commission has not ordered a hearing to review this filing, the Company may at any time thereafter, file a petition with the Commission to initiate a hearing to reconcile the amounts collected under this rider and recoveries from any other sources with the costs prudently incurred by the Company for Environmental Activities. If the Commission finds, after hearing, that any amounts were incorrectly debited or credited to the Environmental Cost Recovery Rider during that year, the Commission may by order require that the rider be adjusted by appropriate credits or debits thereto. Any adjustments so ordered shall be reflected in the ECR charge over a succeeding 12-month period.