

**RATE SCHEDULE 1001
SPECIAL TERMS AND CONDITIONS
PURCHASED GAS ADJUSTMENT CLAUSE**

Section 1--Definitions and General Provisions

1. Definitions

- a. "Affiliate" means any person, subsidiary, firm or corporation which
- (1) controls or is controlled by the Company,
 - (2) is controlled by an entity that also controls the Company, or
 - (3) the Company or an entity controlling the Company has directly or indirectly the power to control.
- b. "British Thermal Unit," or "Btu," means that quantity of heat that must be added to one avoirdupois pound of pure water to raise its temperature from 58.5 degrees Fahrenheit (58.5° F.) to 59.5 degrees Fahrenheit (59.5° F.) under standard pressure. The Btu heat content shall be computed on the basis of a temperature of 60 degrees Fahrenheit (60° F.) and a pressure of 14.73 psia as obtained by passing the gas through an accurately calibrated recording calorimeter, by a gas sample laboratory analysis using the mass spectrometer, or by other mutually acceptable means common to the industry.
- c. "Cash out purchases" means the gas purchased by the Company in accordance with the Company's filed cash out provisions.
- d. "Cash out sales" means the gas sold by the Company in accordance with the Company's filed cash out provisions.
- e. "Commission" means or refers to the Corporation Commission of Oklahoma.
- f. "Company" means or refers to Oklahoma Natural Gas Company.

Rates Authorized By The Oklahoma Corporation

Commission:

Effective	Order No.	Cause/Docket No.
November 30, 2021	721916	PUD 202100063
September 22, 2010	578795	PUD 201000048
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- g. "Dekatherm" or "Dth" means 1,000,000 Btus (1 MMBtu). This will be on a dry basis.
- h. "Fair Field Price" means the value attributed to gas produced from wells owned by the Company or an affiliate of the Company, which shall be the going price paid by the Company or affiliate to others in the field where such production is located. If the Company or affiliate is not purchasing gas in such field, then such value shall be the price paid by the Company or affiliate in the nearest field where conditions are similar. The value to be attributed to residue gas owned by the Company or an affiliate of the Company from gas processing plants shall be the going price paid by the Company or affiliate to others from the same plant. If the Company or affiliate is not purchasing gas from said plant, then the value shall be the price paid by the Company or affiliate at the nearest plant where conditions are similar. The Fair Field Price shall not be applicable to gas purchased by the Company from a subsidiary or affiliate pursuant to a competitive bid process.
- i. "LUFG" means Lost, Used, and Unaccounted for Gas.
- j. "OGT" means ONEOK Gas Transportation, L.L.C.
- k. "Reservation Fees" means the demand fees that are paid by the Company to gas suppliers based on contractual demand.
2. Pressure Base:

For the purpose of calculations made hereunder, all volumes of gas and the Btu content thereof will be adjusted to a pressure base of the pounds per square inch absolute on which the Company's rates are established and in accordance with gas measurement procedures standard in the industry.

Section 2--Determination of Dth and Price Paid Therefor Upon Initial Receipt of Gas

- a. The total Dth and the dollar amounts paid therefor shall be calculated for each accounting month on the basis of (1) the volumes of gas purchased by the Company, or an affiliate, from nonaffiliated producers, gatherers, processors, pipelines, and transporters, and the price paid for such gas, and (2) the volumes valued at the fair field price represented by gas received

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from wells owned by the Company or an affiliate and residue gas owned by the Company or an affiliate from gas processing plants, which gas is delivered into the Company's pipeline system, into the pipeline system of an affiliate of the Company or directly to the Company's customers, provided, however, that:

1. Gas received from an affiliate that is subject to regulation by a state or federal regulatory agency shall be valued at the price per Dth permitted to be charged by such regulatory agency, and
 2. Gas received from an affiliate as a result of competitive bidding shall be valued at the price per Dth permitted to be charged by the competitively bid contract.
- b. For each accounting month, the Company shall calculate the cost of all transportation service obtained on behalf of sales customers from upstream transportation providers, including the cost of transportation services obtained by competitive bid and the cost of default transportation service provided by OGT where no competitive bid was awarded. Transportation costs shall be inclusive of all upstream transportation costs imposed by the transportation service providers, less such costs assignable to transport customers as a result of the cost of service allocation from the most recent general rate case, and shall include, but not be limited to, pipeline demand charges, transportation commodity charges, applicable line loss charges, balancing fees, penalties, and any other related costs and expenses.
- c. LUFG shall be collected through the PGA. If the annual LUFG study performed by the Company identifies an LUFG percentage greater than the safe harbor of Two Percent (2%), the excess recovery amount may be disallowed through a reduction to the current Unrecovered Purchased Gas Cost level upon express order of the Commission. The Two Percent (2%) safe harbor is applicable only to the Company's LUFG and does not include any level passed through to customers based upon OGT's LUFG.
- d. The price paid per Dth shall also include the transaction costs associated with the use of futures contracts and options contracts and other prudently incurred costs associated with various financial instruments purchased by the Company to stabilize supply acquisition costs.
- e. Gas Cost Related Bad Debts shall be collected through the PGA.

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Section 3--Adjustments to Calculations Made in Accordance With Section 2

- a. Adjustments to the total Dth and dollar amounts as determined pursuant to Section 2 shall be made for volumes of gas removed by treating or processing facilities and compression facilities located on the downstream side of any initial volume and value determination point.
- b. The total Dth and associated value removed from the gas stream due to such treating, processing, and compression shall be subtracted from the total Dth and dollar amounts as determined pursuant to Section 2.

Section 4--Gas Storage Injections and Withdrawals

- a. Accurate records shall be kept to determine the total Dth and associated value of gas injected into or withdrawn from storages, and shall be reported to the Commission monthly.
- b. Total Dth and associated value shall be subtracted from the total amount determined pursuant to Section 2 for any gas injected into storages during the accounting month for which the average cost of gas is being determined.
- c. Total Dth and associated value for any gas withdrawn from storage during the accounting month for which the cost of gas is being determined shall be determined using the weighted average cost method of inventory accounting and shall be added to the total amounts determined pursuant to Section 2.

Section 5--Other Provisions

Gas Exchange Agreements:

- a. Accurate records shall be kept to determine the total Dth and associated value of any gas delivered or received pursuant to a gas exchange agreement.
- b. Total Dth and associated value of any gas delivered pursuant to a gas exchange agreement shall be subtracted from the total amounts determined pursuant to Section 2 for the

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accounting month for which the cost of gas is being determined.

- c. Total Dth and associated value of gas received pursuant to a gas exchange agreement shall be determined using the weighted average cost method of inventory accounting, and shall be added to the total amounts determined pursuant to Section 2 for the accounting month for which the cost of gas is being determined.
- d. Any gas that is not returned or redelivered to the Company and for which payment is received shall be accounted for in the following manner:
 1. If the payment is the same as the associated value of the gas delivered pursuant to the exchange agreement, such payment will be treated as if the gas was received pursuant to the gas exchange agreement.
 2. If the payment received is greater than the associated value of the gas delivered, the difference between the payment and associated value shall be subtracted from the amounts used to determine the average cost of gas for the accounting month in which the payment is received.
 3. If the payment received is smaller than the associated value of the gas delivered pursuant to the exchange agreement, the difference shall be added to the amounts used for determining the average cost of gas for the accounting month during which the payment is received.

Section 6--Determination of the Weighted Average Cost Per Dth of Purchased Gas

The weighted average cost per Dth of purchased gas for each accounting month shall be calculated by totaling the Dth and dollar amounts as determined pursuant to the preceding sections and dividing the total dollar amount by the total Dth.

Section 7--Application of the Average Cost of Purchased Gas

- a. The applicable total cost of purchased gas, determined as provided in the preceding sections,

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shall be applied to the Dth of gas delivered.

- b. The average cost of purchased gas applied will be held constant as to the rate charged to customers monthly. The PGA rate will be adjusted periodically but not more frequently than quarterly, except as noted below.
- c. The Commission Staff may also approve an interim change in the PGA rate when the currently anticipated weighted average cost of gas exceeds the most recent PGA rate in (b) above by fifteen percent (15%). Such interim changes will thereafter be adjusted monthly based on the currently anticipated weighted average cost of gas and will expire at the earlier of the next quarterly PGA rate revision established under Section 7 (b) or when the currently anticipated weighted average cost of gas returns to within five percent (5%) of the most recent established PGA rate.
- d. The average cost of purchased gas will be calculated each month to the nearest one-tenth (0.01) of a cent for all rate schedules
- e. Except as noted in Section 7(b) above, monthly adjustments for changes in purchased gas costs shall be determined in the Company's Unrecovered Purchased Gas Adjustment, Tariff Sheet 1071.

Section 8--Credits

Any credits, refunds, allowances, or pricing adjustments for previously purchased gas, received by the utility from a supplier or paid to a supplier, shall be deducted from or added to the cost of gas before computations are made each month.

Section 9 – Gas Purchase Expense

The Gas Purchase O&M Expense to be recovered by the Company through the PGA shall be determined annually in October of each year for the previous 12-month period. At the end of each 12-month period, the amount of any over-collection or under-collection during the previous period shall be determined and such amount shall be included within the calculation for the next succeeding

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12-month period. These expenses will be recoverable through the PGA until such time that they are recoverable through the base rates of the Company.

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