

<p><b>PURCHASED GAS ADJUSTMENT AND REFUND PROVISIONS</b>  <b>SCHEDULE PGA</b></p>
---

**Purchased Gas Adjustment Clause**

St. Croix Valley Natural Gas Company (the Company) shall calculate a purchased gas adjustment (PGA) each month to reflect changes to the base gas costs contained in the rates for natural gas service authorized in docket 5230-GR-104, order dated October 11, 2005. The PGA shall also include reconciliation between the actual cost of gas supply and the amount recovered from customers during the PGA year. The PGA filing may also include any refunds received by the Company from its wholesale suppliers. All rate adjustment shall be taken to the nearest 0.01 cent per therm.

The Company shall file with the Commission by the fifth working day of each month the proposed rate changes under the operation of the PGA schedule. The filings shall include the rate sheets, Commission’s standardized PGA report, source data and supporting calculations. The PGA rates shall be effective as of the first day of the month and upon Commission review may be subject to change and, if necessary, refund.

The Company shall file with the Commission significant deviations from the Company’s approved Gas Supply Plan. Any significant change in sales data should be reflected in future PGA filings. Any significant changes in firm capacity, storage, firm supply and any other reliability-related change must be filed for Commission approval at least 21 days prior to the effective date of the change.

For purposes of the operation of this schedule, the PGA year shall be the period from November 1 through October 31, which is consistent with the planning periods from the Company’s Gas Supply Plan.

**Base Average Gas Costs**

The Company’s base average costs of gas, as determined in docket 5230-GR-104 are as follows:

	<i>Base Average Cost Per Therm</i>	
	<u>Firm</u>	<u>Interruptible</u>
Commodity	\$0.5119	\$0.5119
Seasonal Peak Day Demand	\$0.1322	
Non-Seasonal Peak Day Demand	\$0.0096	
Annual Demand	\$0.0018	\$0.0018
Total Base Average Cost Per Therm	\$0.6555	\$0.5137

<p style="text-align: center;"><b>PURCHASED GAS ADJUSTMENT AND REFUND PROVISIONS - SCHEDULE PGA</b></p>
---

**New Average Cost of Gas**

When the Company's cost of natural gas supply changes from the base average gas costs, new average gas costs shall be calculated to the nearest 0.01 cent per therm in accordance with this schedule.

The Seasonal Peak Demand gas cost component shall be computed by dividing the Company's total seasonal peak demand costs by the total estimated therms of annual firm gas sales for November 1 through April 30. Seasonal peak demand costs are fixed costs incurred to ensure adequate pipeline capacity and gas supplies for use on a day of peak demand. Seasonal peak demand is billed to firm system sales customers and only during the months of November through April.

The Non-Seasonal Peak Demand gas cost component shall be computed by dividing the Company's total non-seasonal peak demand costs by the total estimated therms of annual firm gas sales. Non-seasonal peak demand costs shall include, but not be limited to, pipeline reservation costs of base annual capacity.

The Annual Demand gas cost component shall be computed by dividing the Company's total annual demand costs by the total estimated therms of annual commodity sales. Annual demand costs shall include, but not be limited to, fixed costs incurred for pipeline system management service, real-time balancing service and the Federal Energy Regulatory Commission's system balancing agreement charges.

The Commodity gas cost component shall be computed by dividing the Company's total commodity costs by the total estimated therms of annual commodity sales excluding PG-1 volumes. Commodity costs shall include, but not be limited to, the commodity cost of gas, variable pipeline transportation costs, variable surcharges, overrun costs and supplier reservation fees.

**PURCHASED GAS ADJUSTMENT AND REFUND PROVISIONS -  
SCHEDULE PGA**

**Monthly Gas Cost Reconciliation**

The actual cost of gas received by the Company shall be compared to the actual cost of gas recovered from customers at the conclusion of each month. The amount of the difference shall be recovered from or returned to customers through an adjustment included in the PGA in future months. A reconciliation adjustment shall be calculated separately for each of the base average cost of gas components identified in this schedule.

For the seasonal peak demand gas cost component, the monthly reconciliation adjustment shall be calculated based on the total month-end over or under collection divided by the estimated firm sales volume of the remaining seasonal period, November through April. For the Non-Seasonal peak demand gas cost component, the monthly reconciliation adjustment shall be calculated based on the total month-end over or under collection divided by the estimated firm sales volume for the remaining PGA year. For the annual demand gas cost component, the monthly reconciliation adjustment shall be calculated based on the total month-end over or under collection divided by the estimated commodity sales volumes for the remaining PGA year. Any over or under collection of these gas costs remaining at the end of each PGA year shall become a beginning balance brought forward for the new PGA year.

For the commodity cost component, the monthly reconciliation adjustment shall be calculated based on total month-end over or under collection divided by the estimated commodity sales volumes, excluding PG-1 volumes, for the next three months.

**Refund Provision**

Natural gas cost-related refunds received by the Company from its wholesale suppliers resulting from actions taken by the Federal Energy Regulatory Commission (wholesale refunds) shall be refunded to customers by means of the ongoing PGA and true-up mechanism. All refunds received by the Company shall be placed in a refund account, and the Company shall manage the refund account balance to return outstanding balances to customers as soon as practicable, while allowing for considerations such as those listed below.

**PURCHASED GAS ADJUSTMENT AND REFUND PROVISIONS -  
SCHEDULE PGA**

**Refund Provision (continued)**

The Company shall devise a crediting plan for prospectively returning the account balance to the customers. An outstanding refund account balance sufficient to decrease the gas rate paid by the average residential customer by \$0.0010 per therm shall be considered material for these purposes. This does not prohibit the Company from making refunds that would have an effect of less than \$0.0010. The Company shall inform the Commission of the crediting plan no later than the date the Company makes its first PGA filing after receiving the refund. The crediting plan shall state the amount of the refund, the current refund account balance, and the distribution of the refund balance to services. In accordance with the crediting plan, each PGA filing shall include a summary of the refund account balance by service category, the amount refunded through the PGA by service category for that month, and the remaining balance to be refunded to customers in future PGAs.

The following factors shall be considered in determining the crediting plan as to how refund credits shall be distributed to the various services.

1. Wholesale refunds shall be distributed to services eligible to receive refunds on the same basis by which related costs were collected.
2. To the extent practicable, refund distributions for services provide shall recognize the payment patterns authorized for those services provide over a recent full, one-year period.
3. The Company shall develop an amortization schedule, which appropriately distributes the refund credits for the service provided when executing multiple month refund plans.

The following factors shall be considered in determining how refund credits shall be distributed to individual customers.

1. Prospective multi-month refund credits shall be based on an amortization schedule and a resulting pattern of monthly refund credits, which appropriately distributes the credit by the type of service and not by individual customer. Therefore, if the customer changes to another type of service during the refund credit period, the customer shall then prospectively receive the refund credit level applicable to the new type of service. New active customers shall receive the refund credit level applicable to the customer's type of service.
2. The Company shall provide notice of the refund to customers by means of a billing message, identified credit, or insert.

**PURCHASED GAS ADJUSTMENT AND REFUND PROVISIONS -  
SCHEDULE PGA**

**Refund Provision (continued)**

The Company shall credit interest to the refund account per the Wisconsin Administrative Code, Public Service Commission, paragraph 134.061 (9b), on the outstanding average daily balance per month of the refund account, payable at the beginning of the following billing cycle.

The Company may file for approval from the Commission to offset refund proceeds with escrowed or other expenses related to Federal-level regulatory matters.

Notwithstanding the tariff provisions requiring prospective crediting of wholesale refunds, the Company may file for approval from the Commission to execute refunds by means of lump-sum payments or other means if the circumstances of the wholesale refund warrant doing so.

**Summary of current month PGA for all rate classes**

Ask utility personnel for copies of the PGA Tariff Sheets for the months of interest. Since the PGA changes monthly, these are stored in a dedicated binder.