

Escalating Marginal Costs using GDPLEV from Bureau of Economic Analysis data:

- 1) Go to -> <http://www.bea.gov/national/index.htm#gdp> web page;
- 2) Click on the link for *Current-Dollar and "Real" Gross Domestic Product*;
- 3) Update annual GDP "current dollars" and "chained 2009 dollars" data in the table below;
- 4) Forward year GDP estimates use EIA Energy Outlook projections (2.9% in early release overview report, Table 20);
Go to -> <http://www.eia.doe.gov/olaf/aec/index.html> web page;
- 5) Update prior to start of each contract year.

Adjustment escalators to Marginal Costs

| | GDP in billions of current dollars | GDP in billions of chained 2009 dollars | % of Chained 2009 | GDP-IPD | Marginal Cost Study Escalation Factor Calculation |
|------|---|--|-------------------------|---------|---|
| 1993 | 6,878.7 | 9,510.8 | | | |
| 1994 | 7,308.7 | 9,894.7 | 0.6951 | 0.7386 | |
| 1995 | 7,664.0 | 10,163.7 | 0.7140 | 0.7541 | |
| 1996 | 8,100.2 | 10,549.5 | 0.7411 | 0.7678 | |
| 1997 | 8,608.5 | 11,022.9 | 0.7743 | 0.7810 | |
| 1998 | 9,089.1 | 11,513.4 | 0.8088 | 0.7894 | |
| 1999 | 9,665.7 | 12,071.4 | 0.8480 | 0.8007 | |
| 2000 | 10,289.7 | 12,565.2 | 0.8827 | 0.8189 | |
| 2001 | 10,625.3 | 12,684.4 | 0.8910 | 0.8377 | |
| 2002 | 10,980.2 | 12,909.7 | 0.9069 | 0.8505 | |
| 2003 | 11,512.2 | 13,270.0 | 0.9322 | 0.8675 | |
| 2004 | 12,277.0 | 13,774.0 | 0.9676 | 0.8913 | |
| 2005 | 13,095.4 | 14,235.6 | 1.0000 | 0.9199 | |
| 2006 | 13,857.9 | 14,615.2 | 1.0267 | 0.9482 | |
| 2007 | 14,480.3 | 14,876.8 | 1.0450 | 0.9733 | |
| 2008 | 14,720.3 | 14,833.6 | 1.0420 | 0.9924 | |
| 2009 | 14,417.9 | 14,417.9 | 1.0128 | 1.0000 | |
| 2010 | 14,964.4 | 14,783.8 | 1.0385 | 1.0122 | |
| 2011 | 15,517.9 | 15,020.6 | 1.0551 | 1.0331 | |
| 2012 | 16,163.2 | 15,369.2 | 1.0796 | 1.0517 | |
| 2013 | 16,768.1 | 15,710.3 | 1.0896 | 1.0673 | |
| 2014 | 17,420.7 | 16,089.8 | 1.1160 | 1.0827 | |
| 2015 | 18,358.3 | 16,636.9 | 1.1539 | 1.1035 | |
| 2016 | 19,290.2 | 17,152.6 | 1.1897 | 1.1246 | |
| 2017 | 20,269.4 | 17,684.3 | 1.2266 | 1.1462 | |

Calculation of Escalation Factor ->

Original figures

| GDP in billions of current dollars | GDP in billions of chained 2009 dollars |
|---|---|
| 6,878.7 | 9,510.8 |
| 7,308.7 | 9,894.7 |
| 7,664.0 | 10,163.7 |
| 8,100.2 | 10,549.5 |
| 8,608.5 | 11,022.9 |
| 9,089.1 | 11,513.4 |
| 9,665.7 | 12,071.4 |
| 10,289.7 | 12,565.2 |
| 10,625.3 | 12,684.4 |
| 10,980.2 | 12,909.7 |
| 11,512.2 | 13,270.0 |
| 12,277.0 | 13,774.0 |
| 13,095.4 | 14,235.6 |
| 13,857.9 | 14,615.2 |
| 14,480.3 | 14,876.8 |
| 14,720.3 | 14,833.6 |
| 14,417.9 | 14,417.9 |
| 14,964.4 | 14,783.8 |
| 15,517.9 | 15,020.6 |
| 16,163.2 | 15,369.2 |
| 16,768.1 | 15,710.3 |
| 17420.7 | 16089.8 |

(Midpoint of contract year (September 2015))

Marginal Cost Estimate

| A | B | C | D | E | F | G |
|----|--------------------------------------|---|----------------|----------|-----|-------------------|
| | | | 2014 MCS(1) | 2015 Est | | Notes |
| 1 | Escalation Factor | | | 1.0363 | | |
| 2 | Marginal Cost Data | | | | | |
| 3 | Customer Charge | | | | | D3 x E1 |
| 4 | Pressure Support | | | | | D4 x E1 |
| 5 | Main Reinforcement | | | | | D5 x E1 |
| 6 | Main Extension | | | | | D6 x E1 |
| 7 | | | | | | |
| 8 | Customer Data | | | | | |
| 9 | Annual Usage | | | | Dth | 2014 Annual Usage |
| 10 | Design Day Usage | | | | Dth | Customer MDTQ |
| 11 | | | | | | |
| 12 | Marginal Revenue Requirement | | | | | |
| 13 | Customer Charge | | | | | E3 x 12 |
| 14 | Pressure Support | | | | | E4 x E10 |
| 15 | Main Reinforcement | | | | | E5 x E10 |
| 16 | Main Extension | | | | | E6 x E10 |
| 17 | Total | | | | | Sum(E13..E16) |
| 18 | | | | | | |
| 19 | Marginal Cost Floor - All Components | | | | | |
| 20 | Revenue Requirement | | | | | E17 |
| 21 | Customer Charge | | | | | E3 x 12 |
| 22 | Remaining Revenue | | | | | E20 - E21 |
| 23 | Volumetric Charge | | | | | E22 / E9 |

(1)- Price escalation to midpoint of rate year (November 2014).

Note:

Customer Charge from Table - 11 in MCS @12/31/2012
Main Reinforcement Cost from Table - 9 in MCS @12/31/2012
Main Extension Cost from Table - 9 in MCS @12/31/2012

Go to -> http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=CUUR0000SA0&output_view=pct_1mth
 Filter formatting options - 12 month, February to February, html format, comma delimited

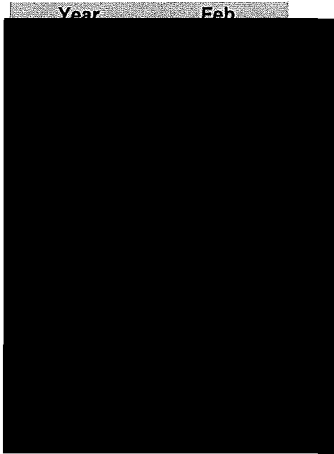
CPI Table Paste Area

Data extracted on: March 24, 2015

Consumer Price Index - All Urban Consumers

12-Month Percent Change
 Series Id: CUUR0000SA0

Not Seasonally Adjusted
 Area: U.S. city average
 Item: All items
 Base Period: 1982-84=100



| Inflation Factor Template | | | Annual Special Contract Rate Adjustment Template | | | | |
|---------------------------|------------------------------------|------------------|--|-------------------------|--|--|---------------------|
| CPI-U Year | CPI-U, NSA, 12 months, Feb. - Feb. | Inflation Factor | March 1 Contract Rate Year | Monthly Customer Charge | | | Notes |
| 2005 | 191.800 | | 2005 | \$ | | | Actual billed rates |
| 2006 | 198.700 | 3.60% | 2006 | \$ | | | Actual billed rates |
| 2007 | 203.499 | 2.42% | 2007 | \$ | | | Actual billed rates |
| 2008 | 211.693 | 4.03% | 2008 | \$ | | | Actual billed rates |
| 2009 | 212.193 | 0.24% | 2009 | \$ | | | Actual billed rates |
| 2010 | 216.741 | 2.14% | 2010 | \$ | | | Actual billed rates |
| 2011 | 221.309 | 2.11% | 2011 | \$ | | | Actual billed rates |
| 2012 | 227.663 | 2.87% | 2012 | \$ | | | Actual billed rates |
| 2013 | 232.166 | 1.98% | 2013 | \$ | | | Actual billed rates |
| 2014 | 234.781 | 1.13% | 2014 | \$ | | | Actual billed rates |
| 2015 | 234.722 | -0.03% | 2015 | \$ | | | Actual billed rates |

Note: Updated 2016 contract rates will be determined when February 2015 CPI-U data is available, approximately the end of March 2016.
 Pursuant to the contract: In no event shall fluctuations in the CPI-U reduce the Special Transportation Rates or Charges below the then current Special Transportation Rates and Charges.