

$$GCA = [(PGC + GTC) \times 1.032 \times (1/1-RAF) / 10] - BGC$$

Where:

PGC = Purchased gas cost for the coming billing period stated in dollars per MMBtu (million British Thermal Units). PGC includes the commodity cost of gas and all applicable taxes and surcharges.

GTC = Gas transportation cost for the coming billing period stated in dollars per MMBtu.

RAF = Retail adjustment factor to adjust the dollars per MCF charge to the retail billing level, currently 0.05. RAF may be adjusted from time to time based on actual experience.

BGC = The cost of delivered gas in current base rates (\$0.56 per CCF). BGC shall remain unchanged until the next the revision to base rates.

- b. Labor Cost Adjustment (LCA). The base rates set forth above may be adjusted periodically to account for permanent changes in labor-related revenue requirements (e.g., salaries and wages, pensions and benefits, etc.) that come about as a result of budget actions taken by the City Council for a fiscal year. Such adjustment, when approved by the City Council, shall be calculated as follows:

$$LCA = 1 + ((TLCB - TLCPY) / BRRR)$$

Where:

TLCB = The total annual labor cost, in dollars, that is reflected in the electric utility budget for the coming fiscal year, as approved by the Board.

TLCPY = The total actual annual labor cost, in dollars, that was incurred by the electric utility for the prior fiscal year.

BRRR = The total estimated revenue requirement, in dollars, that is being recovered in current base rates.

The LCA factor so calculated shall be applied to each retail rate set forth above, excluding Schedule GCA, such that it will result in new base gas rates. Thus, when applied, a new TLCPY and BRRR will be established for future LCA calculations. The following accounts shall be used in the determination of total labor costs as reflected in TLCB and TLCPY:

- Salaries
- Payroll Taxes
- Retirement Expense
- Insurance – Employees Group
- Employee Retirement / Medical Insurance
- Casualty / Workers Compensation Insurance

Note: the listing of accounts used to determine TLCB and TLCPY may be modified from time-to-time as prescribed by the City's accounting and budget procedures.

- c. Revenue requirement adjustment (RRA):

$$RRA = (EO - \$5,986,000) + (EG - \$1,307,600) / RS$$

EG is new or budgeted annual contributions to the Fairhope general fund;

EO is estimated or budgeted annual operation and maintenance costs for the next twelve (12) months;

RS is total annual Fairhope retail sales, excluding city use, in CCF estimated for the next twelve (12) months.