

## **TARGETED AREA BUILD-OUT (“TAB”) TARIFF**

### **APPLICABILITY**

Applicable to customers located in TAB areas designated by the Company. A TAB area represents a specific geographic area for natural gas service defined by the Company, such as a neighborhood and/or community. Customers located in a TAB area are assessed a surcharge (“TAB surcharge”) in addition to the applicable tariff rate.

The Company may designate multiple TAB areas within its service territory when TAB surcharges for those areas are authorized by the Public Utilities Commission. The Company may expand a TAB area to include Adjacent Areas into which the Company can further extend its distribution system to meet customer demand. An “Adjacent Area” is defined as an area that is in close geographic proximity to the originally defined TAB area and will be served by extending the gas main from gas main infrastructure that was installed under the TAB program. The expansion into Adjacent Areas shall not increase the TAB surcharge for the TAB area.

### **AVAILABILITY**

Service under these terms and conditions is available to customers located on designated streets in a TAB area defined by the Company pursuant to this TAB Tariff. The Company shall maintain and furnish upon request a list of designated streets within each TAB area.

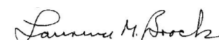
### **SURCHARGE**

The TAB surcharge will be billed monthly to customers on a \$ per therm usage basis. The TAB surcharge for each rate class within a TAB area is listed on Page 163. The TAB surcharge is not subject to adjustment, reconciliation or refund.

The TAB surcharge will be in effect for a 10-year term, and will be assessed to all TAB customers during the term, including such customers located in Adjacent Areas into which the Company has extended its system. A customer located on a designated street who requests service in the TAB area after the surcharge term has expired will not be assessed a TAB surcharge.

### **DISCOUNTED CASH FLOW METHODOLOGY**

The TAB surcharge is calculated using a discounted cash flow (“DCF”) method that considers an estimate of the capital expenditures associated with the proposed expansion, an estimate of the net revenues (revenues exclusive of related cost of gas recoveries) to be derived from the expected new customers, and an estimate of the associated depreciation, property and income taxes, and property and liability insurance expense. These amounts are reflected on an annual basis and result in the annual cash flow (after-tax) associated with the proposed TAB area construction. These annual cash flows are discounted to a present value at a rate representative of the Company’s prospective after-tax cost of capital. If the net present value (“NPV”) is zero or greater, then no TAB surcharge is required. However, if the NPV is negative, then a TAB surcharge is required to make the NPV equal to zero.



The term of the financial analysis will begin with the year during which initial capital investment is planned to occur in the TAB area and end twenty (20) years after the final capital investment in the TAB area is planned to be made.

#### CALCULATION OF THE SURCHARGE

The surcharge is designed to recover the deficit of the NPV analysis over a ten-year period by a uniform percent increase in average base revenue per therm by rate class, including revenue from the monthly fixed customer charge as well as all volumetric charges. The surcharge will be assessed monthly on a \$ per thermusage basis. The surcharge calculation by rate class can be expressed as the following:

$$S = VC_{\text{gross}} * RPCT$$

$$VC_{\text{gross}} = VC/VPCT$$

Where:

S = Surcharge by rate class

VC<sub>gross</sub> = The average base revenue per therm by rate class, including revenue from the monthly fixed customer charge as well as all volumetric charges.

RPCT = Uniform percent increase in revenues needed across all VC<sub>gross</sub> by rate class so that the NPV of the DCF analysis including the TAB surcharge is zero

TAB AREAS:

A) In Designated Portions of Saco, ME:

Saco TAB Surcharge Term: Effective January 1, 2016 – December 31, 2025

Saco TAB Surcharge:

Rate R-1, Residential Non-Heating	\$0.2316 per therm
Rate R-2, Residential Heating	\$0.1247 per therm
Rate G-40, C&I (Low Annual, High Peak Use)	\$0.0886 per therm
Rate G-41, C&I (Medium Annual, High Peak Use)	\$0.0613 per therm
Rate G-42, C&I (High Annual, High Peak Use)	\$0.0386 per therm
Rate G-50, C&I (Low Annual, Low Peak Use)	\$0.1057 per therm
Rate G-51, C&I (Medium Annual, Low Peak Use)	\$0.0562 per therm
Rate G-52, C&I (High Annual, Low Peak Use)	\$0.0363 per therm

TAB AREAS:

B) In Designated Portions of Sanford, ME:

Sanford TAB Surcharge Term: Effective January 1, 2018 – December 31, 2027

Sanford TAB Surcharge:

Rate R-1, Residential Non-Heating	\$0.2093 per therm
Rate R-2, Residential Heating	\$0.1009 per therm
Rate G-40, C&I (Low Annual, High Peak Use)	\$0.0773 per therm
Rate G-41, C&I (Medium Annual, High Peak Use)	\$0.0484 per therm
Rate G-42, C&I (High Annual, High Peak Use)	\$0.0322 per therm
Rate G-50, C&I (Low Annual, Low Peak Use)	\$0.0884 per therm
Rate G-51, C&I (Medium Annual, Low Peak Use)	\$0.0458 per therm
Rate G-52, C&I (High Annual, Low Peak Use)	\$0.0298 per therm