

## **IX. REVENUE DECOUPLING ADJUSTMENT CLAUSE**

### **1.0 PURPOSE**

The purpose of the Revenue Decoupling Adjustment Clause (“RDAC”) is to establish procedures that allow the Company to adjust, on a semi-annual basis, rates for distribution service that reconcile Actual Base Revenues per Customer with Authorized Base Revenues per Customer.

### **2.0 EFFECTIVE DATE**

The Revenue Decoupling Adjustment Factor (“RDAF”) shall be effective on the first day of the Adjustment Period, as defined in Section 4.0.

### **3.0 APPLICABILITY**

The RDAF shall apply to the Company’s Residential Service (Rates R-5, R-6, R-10) and Commercial/ Industrial Service (Rates G-40, G-50, G-41, G-42, G-51, G-52) customers.

### **4.0 DEFINITIONS**

The following definitions shall apply throughout the Tariff:

1. Actual Base Revenues is the revenue billed for a Customer Class through the Company’s customer charge and distribution charges plus the change in unbilled revenues. This excludes revenues billed through the RDAF. If a special contract customer as included as part of the Company’s most recent base rate case moves to service under one of the Company’s firm Rate Schedules, their associated billed revenue shall be excluded from Actual Base Revenue.
2. Actual Number of Customers is the number of customers for the applicable customer class. Actual Number of Customers shall be based on the monthly equivalent bills for a customer class. If a special contract customer as presented as part of the Company’s most recent base rate case moves to service under one of the Company’s firm Rate Schedules, they shall be excluded from the Actual Number of Customers.
3. Actual Base Revenues per Customer is Actual Base Revenues divided by the Actual Number of Customers for a Customer Class.
4. Adjustment Period is the six-month Peak or Off-Peak period for which the RDAF will be applied for each applicable customer class. The first Adjustment Period shall be the six-month period beginning November 1, 2023. Each subsequent Adjustment Period shall be the six month period beginning May 1 and November 1 of each year.

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5. Authorized Base Revenues is the base revenues for a Customer Class as authorized by the Commission in the Company's most recent base rate case or other proceedings that result in an adjustment to base rates, or as adjusted by Commission order. This includes revenues authorized to be recovered through the Company's customer charge and distribution charges. This also includes any step revenue increases authorized by the Commission, but excludes revenues authorized to be recovered from the RDAF.
6. Authorized Base Revenues per Customer is the Authorized Base Revenues divided by the Authorized Number of Customers for a customer class.
7. Authorized Number of Customers is the number of customers in the test year for the applicable Customer Class as used in the rate design in the Company's most recent base rate case or as adjusted by Commission order.
8. Customer Class is the group of customers for purposes of calculating the monthly variance amounts by comparing actual base revenues per customer and authorized base revenues per customer, and defined as follows: Residential Heating (Rates R-5 and R-10), Residential Non-Heating (Rate R-6), Low Annual Use, High Peak Use Commercial & Industrial (Rate G-40), Low Annual Use, Low Peak Use C&I (Rate G-50), Medium Annual Use, High Peak Use C&I (Rate G-41), Medium Annual Use, Low Peak Use C&I (Rate G-51), High Annual Use, High Peak Use C&I (Rate G-42), and High Annual Use, Low Peak Use C&I (Rate G-52).
9. Measurement Period is the six-month Peak or Off-Peak period in which the Company will measure variances between actual base revenues per customer and authorized base revenues per customer for each customer class. The first Measurement Period shall begin August 1, 2022. Each subsequent Measurement Period shall be the six month periods beginning November 1 and May 1 of each year.
10. Off-Peak Period is the continuous period from May 1st through October 31st.
11. Peak Period is the continuous period from November 1st through April 30th.
12. Rate Class Group is the combination of Customer Classes into four groups (1) Residential Heating (R-5 and R-10); (2) Residential Non-Heating (R-6); (3) C&I High Load Factor (G-50, G-51, G-52); (4) C&I Low Load Factor (G-40, G-41, G-42).
13. Revenue Decoupling Adjustment ("RDA") is the cumulative monthly revenue variances, carrying costs and reconciliation amount for each Measurement Period and each Rate Class Group. The RDA forms the basis for RDAF.

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### **5.0 CALCULATION OF REVENUE DECOUPLING ADJUSTMENT FACTOR**

#### **i. Description of RDAF Calculation**

For each month within the applicable Measurement Period, the Company shall calculate the variance between Actual Revenue per Customer and Authorized Revenue per Customer, for each Customer Class as defined in Section 4.0. The revenue per customer variance will be multiplied by the Actual Number of Customers per class, to determine the monthly Customer Class revenue variance. For each month within the applicable Measurement Period, the revenue variance for each Customer Class will be combined by Rate Class Group, and recorded in a deferral account with carrying costs accrued monthly at the prime interest rate as reported by the Wall Street Journal on the first business day of the month preceding the first month of the quarter. Following the end of each six-month Measurement Period, the monthly variances in the applicable Measurement Period shall be totaled by Rate Class Group and combined with carrying costs and any prior period deferral to form the basis for the RDA by group.

The Company will file for implementation of the RDAF 45 days before November 1. The filing will provide the proposed RDAF for the Peak period, for effect November 1, and subsequent Off-Peak period, for effect May 1. The RDA for the Peak period will reflect actual data for the entire six month period while the RDA for the Off-Peak period will reflect actual data for the first three months of the period and estimated data for the remaining three months. The first Off-Peak RDAF will become effective May 1, 2024, thus it will include the initial RDA for August 1, 2022 through October 31, 2022 and the RDA for May 1, 2023 through October 31, 2023. The filing shall include the RDA by Rate Class Group, including prior period reconciliation and calculation of the RDAF. The RDAF shall be calculated as a dollar per therm charge or credit based on the RDA for each group divided by the projected therm sales for each group over the prospective six-month Adjustment Period. The RDAF shall be charged or credited to customer bills during the applicable Adjustment Period.

#### **ii. RDAF Calculation**

##### **1. Monthly Revenue Variance (MRV)**

$$MRV_i^{CC} = (ARPC_i^{CC} - AURPC_i^{CC}) \times ACUST_i^{CC}$$

Where:

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$ACUST_i^{CC}$ : Actual number of customers for month i for applicable Customer Class.

$ARPC_i^{CC}$ : Actual Base Revenue Per Customer for month i for applicable Customer Class, derived as:

$$ARPC_i^{CC} = \frac{\text{Actual Month i Revenue for Customer Class}}{\text{Actual Month i Bills for Customer Class}}$$

$AURPC_i^{CC}$ : Authorized Base Revenue Per Customer for month i for applicable Customer Class, derived as:

$$AURPC_i^{CC} = \frac{\text{Authorized Month i Revenue for Customer Class}}{\text{Authorized Month i Bills for Customer Class}}$$

CC: The eight Customer Classes as defined in Section 4.0.

i: The six months of each Measurement Period

### 2. Revenue Decoupling Adjustment (RDA)

$$RDA^{RCG} = \left[ \sum_{i=1}^6 MRV_i^{RCG} + \text{CarryingCosts}_i^{RCG} \right] + REC_p^{RCG}$$

Where:

RCG: The Rate Class Groups as defined in Section 4.0.

$\text{CarryingCosts}_i^{RCG}$ : Carrying Costs on the deferral account balance calculated at Prime rate for month i for applicable Rate Class Group.

$REC_p^{RCG}$ : RDAC Reconciliation Balance from prior period p as defined in Section 7.0.

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### 3. RDA subject to Adjustment Cap

IF:  $|RDA^{RCG}| > RDC^{RCG}$

THEN:  $RDA^{RCG} = RDC^{RCG}$

AND:  $REC_C^{RCG} = RDA^{RCG} - RDC^{RCG}$

Where:

$|RDA^{RCG}|$ : Absolute Value of RDA for each Rate Class Group.

$RDC^{RCG}$ : The Revenue Decoupling Cap that equals four and one-quarter (4.25) percent of approved distribution revenues for each Rate Class Group over the relevant Measurement Period(s).

$REC_C^{RCG}$ : RDAC Reconciliation Balance for current period as defined in Section 7.0.

### iii. **RDAF Calculation**

$$RDAF^{RCG} = -1 \times \frac{RDA^{RCG}}{FS^{RCG}}$$

Where:

$FS^{RCG}$ : The forecasted therm Sales for the Adjustment Period for the applicable Rate Class Group

## **6.0 Application of the RDAF to Customer Bills**

The RDAF (\$ per therm) shall be calculated to the nearest one one-hundredth of a cent and will be applied to the monthly billed sales for each customer during the applicable Adjustment Period.

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### **7.0 RDAC Reconciliation**

The deferred balance shall contain the accumulated difference between the authorized RDA for the Adjustment Period determined in accordance with Section 5.0, and actual revenues received by the Company through application of the RDAF to customer bills in the Adjustment Period. Carrying costs shall be calculated on the average monthly balance of the deferred balance using the prime interest rate.

### **8.0 Revenue Decoupling Adjustment Cap**

The RDA for each Adjustment Period, determined in accordance with Section 5.0, may not exceed four and one-quarter percent (4.25%) of approved distribution revenues as established in the Company's most recent base rate case, including any adjustment due to a step. The cap shall be determined separately for each Rate Class Group over the relevant Measurement Period and shall apply to over- and under-recoveries. To the extent that the application of the RDA cap results in a RDA for a Rate Class Group that is less than that calculated in accordance with Section 5.0, the difference shall be deferred and included in the RDAC Reconciliation for recovery in the subsequent Adjustment Period. Carrying costs shall be calculated on the average monthly balance using the prime interest rate.

### **9.0 Information to be Filed with the Commission**

Information pertaining to the RDAC will be filed annually with the Commission 45 days before November 1 consistent with the filing requirements of all costs and revenue information included in the Tariff. Such information shall include:

1. Calculation of monthly revenue variances for each Customer Class.
2. Determination of Revenue Decoupling Adjustment for the upcoming Adjustment Period for each Rate Class Group.
3. Calculation of the Revenue Decoupling Adjustment Factors for each Rate Class Group, to be utilized in the upcoming applicable Adjustment Period. If distribution rates change during a Measurement Period, the monthly revenue per customer for the remaining months of the Measurement Period will be revised and filed with the Commission.

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Title: Sr. Vice President

**CALCULATION OF REVENUE DECOUPLING ADJUSTMENT FACTOR ("RDAF")**

**PEAK - NOVEMBER 1, 2024 THROUGH APRIL 30, 2025**

Line #	Description	Residential Heating R-5, R-10	Residential Non Heating R-6	C&I High Load Factor G-50, G-51, G-52	C&I Low Load Factor G-40, G-41, G-42
1	Beginning Balance - November 1, 2023	(\$3,438,495)	(\$9,039)	\$159,804	(\$722,510)
2	Monthly Revenue Variances (MRV) - November 1, 2023 - April 30, 2024	(\$3,158,379)	(\$23,298)	\$407,981	(\$771,561)
3	Collections/(Credits) associated with current RDAF (thru April 2024)	\$612,785	\$8,053	(\$163,138)	\$385,410
4	Carrying Costs - (November 2023 - April 2024)	(\$205,638)	(\$147)	\$18,027	(\$40,289)
5	Revenue Decoupling Adjustment (RDA) for (credit)/collection	(\$6,189,727)	(\$24,431)	\$422,673	(\$1,148,949)
6	RDA Cap (+/-)	\$724,261	\$14,440	\$171,451	\$407,551
7	RDA Deferral	(\$5,465,466)	(\$9,991)	\$251,222	(\$741,398)
8	RDA eligible for credit/(collection)	(\$724,261)	(\$14,440)	\$171,451	(\$407,551)
9	Estimated Firm Sales & Firm Transportation Volumes (therms) (November 1, 2024 - April 30, 2025)	16,201,087	129,273	15,281,558	24,557,293
10	<b>Peak RDAF Rate (\$/therm)</b>	<b>\$0.0447</b>	<b>\$0.1117</b>	<b>(\$0.0112)</b>	<b>\$0.0166</b>

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Issued by: Daniel Hurstak  
Title: Vice President and Treasurer

**CALCULATION OF REVENUE DECOUPLING ADJUSTMENT FACTOR ("RDAF")**

**OFF-PEAK - MAY 1, 2024 THROUGH OCTOBER 31, 2024**

Line #	Description	Class Groups			
		Residential Heating R-5, R-10	Residential Non Heating R-6	C&I High Load Factor G-50, G-51, G-52	C&I Low Load Factor G-40, G-41, G-42
1	Beginning Balance - August 1, 2022	\$0	\$0	\$0	\$0
2	Monthly Revenue Variances (MRV) - August 1, 2022 - October 31, 2022; May 1, 2023 - October 31, 2023 (1)	(\$548,296)	(\$6,681)	\$37,589	(\$3,606)
3	Collections/(Credits) associated with current RDAF (thru October 2023)	\$0	\$0	\$0	\$0
4	Carrying Costs - (August 22 - October 2023)	(\$33,889)	(\$386)	\$2,341	(\$297)
5	Revenue Decoupling Adjustment (RDA) for credit/(collection)	(\$582,184)	(\$7,067)	\$39,931	(\$3,903)
6	RDA Cap (+/-)	\$281,733	\$11,771	\$106,975	\$216,745
7	RDA Deferral	(\$300,451)	\$0	\$0	\$0
8	RDA eligible for credit/(collection)	(\$281,733)	(\$7,067)	\$39,931	(\$3,903)
9	Estimated Firm Sales & Firm Transportation Volumes (therms) (May 1, 2024 - October 31, 2024)	2,631,203	75,754	11,462,614	5,173,303
10	<b>Off Peak RDAF Rate (\$/therm)</b>	<b>\$0.1071</b>	<b>\$0.0933</b>	<b>(\$0.0035)</b>	<b>\$0.0008</b>

(1) The initial off-peak period includes August 1 - October 31, 2022 actual MRV plus 3 months actual and 3 months estimate RMV for May 1 - October 31, 2023.

*Authorized by NHPUC Order No. 26,993 in Docket No. 23-086, dated April 12, 2024*

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