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5.01 Purpose

The purpose of this clause is to establish procedures that allow Northern Utilities, Inc. ("Northern" or the "Company"), subject to the jurisdiction of the Maine Public Utilities Commission ("MPUC") to adjust, on a semiannual basis, its rates for firm gas sales and standby gas supply service in order to recover the costs of gas supplies, along with any taxes applicable to those supplies, pipeline and storage capacity, production capacity and storage, bad debt expense associated with purchase gas costs, and the costs of purchased gas working capital, to reflect the seasonal variation in the cost of gas, and to credit to firm ratepayers all supplier refunds and capacity credits from non-firm sales and transportation, interruptible sales and transportation, revenues from capacity assignment, capacity release revenues and any revenues from the application of the Re-entry Rate and Conversion Rate charges.

5.02 Applicability

This Cost of Gas Factor Clause ("CGFC") shall be applicable to Northern and all firm gas sales made by Northern, unless otherwise designated. The application to the clause may, for good cause shown, be modified by the MPUC. See Section 5.13, "Other Rules."

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5.03 Cost of Firm Gas Allowable for CGFC

All costs of firm gas including, but not limited to, commodity costs, taxes on commodity, demand charges, local production and storage costs, other gas supply expense incurred to procure and transport supplies and bad debt for the forecast period, the gas used in company operations, transportation fees, costs associated with buyouts of existing contracts, and purchased gas working capital may be included in the CGFC. Any costs recovered through application of the CGFC shall be identified and explained fully in the semiannual filings outlined in Section 5.12.

5.04 Effective Date of Cost of Gas Factor

The date on which the seasonal Cost of Gas Factors ("CGF") become effective shall be the first billing cycle of each season as designated by the Company. Unless otherwise notified by the MPUC, the Company shall submit CGF filings as outlined in Section 5.12 of this clause on or before February 15 for Summer Season CGF, and on or before August 15 for the Winter Season CGF.

5.05 Definitions

The following terms shall be defined in this section, unless the context requires otherwise.

(1) **Bad Debt Expense** is the uncollectable expense attributed to the portion of the Company's charges associated with its gas costs.

(2) **Base Load Requirements** - The annual quantity of gas supply needed to satisfy the lowest level of firm demand over a period of 60 consecutive days.

(3) **Capacity Assignment Revenues** – The revenues received from Suppliers for the assignment of capacity pursuant to the Company’s Delivery Service Terms and Conditions.

(4) **Capacity Release Revenues** - The economic benefit derived from the sale of upstream capacity.

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(5) **Carrying Charges** - Interest expense calculated on the average monthly balance using the Company's average short-term cost of borrowing for the month.

(6) **Economic Benefit** - The difference between the revenues received from, and the marginal cost of, a service or product.

(7) **Interruptible Sales Margins** - The economic benefit derived from the sale of gas to interruptible customers on the Company's distribution system.

(8) **Inventory Finance Charges** - Annualized interest costs calculated at the Company's average short-term cost of borrowing for the month, associated with carrying gas commodity in inventory.

(9) **Local Production Capacity and Storage Costs** include the costs, allocated to non-distribution, of providing storage supply service from the Company's on-system supplemental gas facilities (*i.e.*, LNG and LPG), as well as any miscellaneous Administrative and General costs associated with providing gas supply service, as determined in the Company's most recent rate case or rate redesign proceeding.

(10) **MBA** - Market Based Allocator is the formula used to allocate gas costs among customer classes.

(11) **Non-Firm Commodity Costs** - The commodity cost of gas sold in a non-firm sales transaction. Non-firm sales include sales made under interruptible contracts, non-firm contracts and non-traditional off-system sales.

(12) **Non-Firm Sales** – include sales made under interruptible sales contracts, off-system sales arrangements and any other non-firm on-system or off-system sales transaction.

(13) **Non-Firm Sales Margins** - The economic benefit derived from non-firm sales from the use of the Company's Gas Supply Resource portfolio.

(14) **Off-peak Commodity** is, unless otherwise approved by the MPUC, the gas supplies procured by the Company to serve firm load in the Off-peak season.

(15) **Off-peak Demand** is, unless otherwise approved by the MPUC, the reservation of firm gas supply, upstream pipeline transmission capacity, procured by the Company, and any Local Production Storage and Capacity Costs, to serve firm load in the Off-peak season.

(16) **Off-peak Period** is May through October.

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(17) **Off-System Sales Margin** - The economic benefit derived from the non-firm sale of the Company's natural gas supplies, including pipeline transmission capacity, upstream of its distribution system.

(18) **Peak Commodity** is, unless otherwise approved by the MPUC, the gas supplies procured by the Company to serve firm load in the Peak season.

(19) **Peak Demand** is, unless otherwise approved by the MPUC, the reservation of firm gas supply and infrastructure capacity, including peaking, storage and transmission capacity needed to service firm load in the Peak season. All costs of Company total Peak Demand are allocated to Northern's Maine and New Hampshire Divisions based the capacity allocation methodology utilizing the Modified PR Allocator.

(20) **Peak Period** is November through April.

(21) **Modified Proportional Responsibility (PR) Allocator** - The methodology used to allocate annual capacity charges to Northern's Maine and New Hampshire Divisions as approved by the Maine PUC and the New Hampshire PUC in MPUC Docket Nos. 2005-87 and 2005-273, and NHPUC Docket DG 05-080, respectively.

(22) **Pretax Weighted Cost of Capital** is the result of the calculation of the weighted cost of capital minus the weighted cost of debt, divided by one, minus the combined tax rate, plus the weighted cost of debt.

(23) **Purchased Gas Working Capital** is the allowable working capital derived from Peak and Off-peak, demand and commodity related costs.

(24) **Re-entry Rate and Conversion Rate Revenues** are the revenues resulting from capacity exempt (Conversion) and non-exempt (Re-entry) Delivery Service customers migrating to Sales Service.

(25) **Tax Rate** is the combined State and Federal income tax rate.

(26) **Weighted Cost of Capital** is the weighted cost of capital as set in the Company's most recent base rate case or rate redesign case.

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(27) **Weighted Cost of Debt** is the weighted cost of debt as set in the Company's most recent base rate case or rate redesign case.

5.05a Approved Cost Amounts

The CGFC calculations include costs and amounts periodically established by the MPUC in base rate case proceedings. The table below lists currently approved costs and amounts:

VARIABLE	DESCRIPTION	CURRENTLY APPROVED AMOUNTS
Other A&G	Other Administrative and General Costs	$775,350
PS	Production and Storage Capacity Costs	$418,226
WCA%	Working Capital Allowance Percentage[1]	0.3879%

5.06 Cost of Gas Factor (CGF) Formula

The Cost of Gas Factor (CGF) Formula shall be computed on a semiannual basis using forecasts of seasonal gas costs, carrying charges, sendout volumes, and sales volumes. Forecasts may be based on either historical data or Company projections, but must be weather-normalized. Any projections must be documented in full with each filing.

Peak CGF Formula

The Peak CGF shall be comprised of a peak demand factor, a Peak commodity factor and a Peak bad debt factor for each of the Company's firm sales customer classes and calculated at the beginning of the Peak season according to the following formula:

$$CGFp^x = DFp^x + CFp^x + BDFp$$

[11] 15.53 supply related net lag days / number of days in the year * pre-tax adjusted cost of capital (9.12%)

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Peak Demand Factor (DFp) Formula

$$DFp^x = \frac{Dp^x - NFSMp^x - CAR^x + PS^x + \mathrm{OAGp}^x}{P{:}\ Sales^x} + RFpd + WCFpd - R1d - R2d$$

and:

$$RFpd = Rpd \,/\, P{:}Sales$$

and:

$$WCFpd = \frac{(DP - NFSMp) \times WCA\ \% - WCRpd}{P{:}Sales}$$

Where:

CAR	The Capacity Assignment Revenues, pursuant to the Capacity Assignment provisions in the Company's Delivery Service Terms and Conditions. All CAR are allocated to the Peak Period Demand costs.
Dp	Demand Charges from pipeline, storage and peaking resources allocated to the Peak Period as defined in Section 5.05.
NFSMp	The sum of the portion of Non-Firm Sales Margins, associated with Interruptible Sales, Capacity Release Revenues, Off-System Sales margins, Re-entry Charge Revenues and Conversion Charge Revenues as specified in Section 5.07, that are credited against gas costs in the Peak Period.
OAGp	Peak period allocation of Other Administrative and General costs, determined in the Company's most recent base rate case proceeding, as defined in Section 505a.
P:Sales	Forecasted firm sales volumes associated with the Peak Period.
PS	Total Test year local production capacity and storage costs allocated to non-distribution as defined in Section 5.05a.
R1d, R2d	Per unit supplier refunds from pipeline demand charges - The per unit supplier refunds associated with refund program credits derived from Account 242, "Undistributed Gas Suppliers' Refunds." See Section 5.08.
RFpd	Peak demand charge reconciliation adjustment factor per billed peak sales volume associated with demand charges related to the Peak Period.
Rpd	Reconciliation Costs - Peak Demand deferred gas costs, Account 191 balance, inclusive of the associated Account 191 interest, as outlined in Section 5.09.
WCA %	Percentage of gas costs, as determined in the Company's most recent base rate case or rate redesign proceeding, equivalent to Working Capital Allowance

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	associated with gas costs.
WCApd	Peak Period Demand charges allowable for working capital application as defined in Section 5.10.
WCFpd	Working Capital Allowance factor derived by dividing Peak Demand charges allowable for working capital application (WCA_{pd}) as defined in Section 5.10 by billed Peak Period sales volume.
WCRpd	Working Capital reconciliation adjustment associated with peak demand charges - Account 173 balance as outlined in Section 5.10.
x	Designates Customer Class Specific allocation of costs, based on Market Based Allocation factors. (Residential Heating and Residential Non-Heating classes are treated as one customer class for the purpose of deriving class specific CGFs.)

Peak Commodity Factor (CF) Formula

$$CFp^x = \frac{[PC^x - NFCCp^x + FC^x]}{P : Sales^x} + RFpc + WCFpc - R1c - R2c$$

and:

$$PC^x = PP^x + PSUP^x$$

and:

$$RFpc = Rpc \,/\, P{:}Sales$$

and:

$$WCFpc = \frac{(PC - NFCCp + FC) \times WCA\,\% + \mathrm{WCRpc}}{P{:}\ Sales}$$

Where:

FC	Inventory finance charges as defined in Section 5.05.
NFCCp	Non-Firm Commodity Costs allocated to the Peak Period as defined in Section 5.05, and allocated to each rate class through the MBA methodology.
P:Sales	Forecasted firm sales volumes associated with the Peak Period.

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PC	Commodity charges associated with gas supply sent out in Peak season as defined in Section 5.05, and allocated to each rate class through the MBA methodology.
PP	Commodity charges associated with pipeline supplies incurred during the Peak Period and allocated to each rate class thorugh the MBA methodology.
PSUP	Commodity charges allocated to the Peak Period associated with supplemental gas supply; *i.e.*, Liquefied Natural Gas, Storage Withdrawals and other Peaking Gas Supplies, and to each rate class through the MBA methodology.
R1c, R2c	Per unit supplier refunds from pipeline commodity charges - The per unit supplier refunds associated with refund program credits derived from Account 242, "Un-distributed Gas Suppliers' Refunds". See Section 5.08.
RFpc	Peak commodity charge reconciliation adjustment factor per billed peak sales volume associated with demand charges related to the Peak Period.
Rpc	Reconciliation Adjustment Costs - Account 191 balance, inclusive of the associated Account 191 interest, as outlined in Section 5.09.
WCA %	Percentage of gas costs, as determined in the Company's most recent base rate case or rate redesign proceeding, equivalent to Working Capital Allowance associated with gas costs.
WCApc	Commodity charges allowable for working capital application as defined in Section 5.10.
WCFpc	Working Capital Allowance factor derived by dividing Peak Commodity charges allowable for working capital application (WCA_{pc}) as defined in Section 5.10 by billed Peak Period sales volume.
WCRpc	Working Capital reconciliation adjustment associated with peak commodity charges as outlined in Section 5.10.
x	Designates customer class specific allocation of costs, based on Market Based Allocation factors. (Residential Heating and Residential Non-Heating classes are treated as one customer class for the purpose of deriving class specific CGFs.)

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Peak Bad Debt (BDp) Formula

$$BDFp = \frac{BDp + RApbd}{P{:}Sales}$$

Where:

BDp	Bad Debt Expense calculated for Peak season as defined in Section 5.05.
P:Sales	Forecasted Peak Period sales volumes.
RApbd	Peak Bad Debt Expense reconciliation adjustment - Account 173 balance.

Off-peak CGF Formula

The Off-peak CGF shall be comprised of an Off-peak demand factor and an Off-peak commodity factor for each of the Company's customer classes, plus an Off-peak bad debt factor; all factors calculated at the beginning of the Off-peak season according to the following formula.

$$CGFop^{x} = DFop^{x} + CFop^{x} + BDFop$$

Off-peak Demand Factor (DFop) Formula

$$DFop^{x} = \frac{Dopx + OAGop}{OP{:}Sales^{x}} + RFopd + WCFopd - R1d - R2d$$

and:

$$RFopd = Ropd \,/\, OP{:}Sales$$

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and:

$$WCFopd = \frac{Dop \times WCA\,\% \quad + WCRopd}{OP{:}Sales}$$

Where:

BLDop	Demand charges billed to the Company during the Off-peak Period for the portion of base demand associated with serving base load requirements as defined in Section 5.05.
BLDXop	Base demand costs in excess of demand costs associated with base load level billed to the Company during the Off-peak Period.
Dop	Demand charges from pipeline, storage and peaking resources allocated to the Off-peak Period as defined in Section 5.05.
OAGop	Off-peak period allocation of Other Administrative and General costs, determined in the Company's most recent base rate case proceeding, as defined in Section 505a.
OP:Sales	Forecasted sales volumes associated with the Off-peak Period.
R1d, R2d	Per unit supplier refunds from pipeline demand charges - The per unit supplier refunds associated with refund program credits derived from Account 242, "Undistributed Gas Suppliers' Refunds." See Section 5.08.
RFopd	Off-peak demand charge reconciliation adjustment factor per billed off peak throughput volume associated with demand charges related to the off peak period.
Ropd	Reconciliation Costs - Account 191 balance, inclusive of the associated Account 191 interest, as outlined in Section 5.09.
WCA %	Percentage of gas costs, as determined in the Company's most recent base rate case or rate redesign proceeding, equivalent to Working Capital Allowance associated with gas costs.
WCAopd	Demand charges allowable for working capital application as defined in Section 5.10.
WCFopd	Working Capital Allowance factor derived by dividing Off-peak Demand charges allowable for working capital (WCA_{opd}) as defined in Section 5.10 by billed Off-peak sales volume.
WCRopd	Working Capital reconciliation adjustment associated with Off-peak demand charges balance as outlined in Section 5.10.
x	Designates customer class specific allocation of costs based on Market Based Allocation factors. (Residential Heating and Residential Non-Heating classes are treated as one customer class for the purpose of deriving class specific CGFs.)

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Off-peak Commodity Factor (CFop) Formula

$$CFop^x = \frac{OPC^x - NFCCop^x}{OP : Sales^x} + Ropc + WCFopc - R1c - R2c$$

and:

$$RFopc = Ropc/OP{:}Sales$$

and:

$$WCFopc = \frac{(OPC - NFCCop) \times WCA\,\% + WCRopc}{OP{:}Sales}$$

Where:

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NFCCop	Non-firm commodity costs allocated to the Off-peak Period as defined in Section 5.05.
OP:Sales	Forecasted firm sales volumes associated with the Off-peak Period.
OPC	Commodity charges associated with gas supply sent out in the Off-peak season as defined in Section 5.05.
R1c, R2c	Per unit supplier refunds from pipeline commodity charges - The per unit supplier refunds associated with refund program credits derived from Account 242, "Un-distributed Gas Suppliers' Refunds."
RFopc	Off-peak commodity charge reconciliation adjustment factor per billed Off-peak sales volume associated with commodity charges related to the Off-peak Period.
Ropc	Reconciliation Adjustment Cost - Account 191 balance, inclusive of the associated Account 191 interest, as outlined in Section 5.09.
WCA%	Percentage of gas costs, as determined in the Company's most recent base rate case or rate redesign proceeding, equivalent to Working Capital Allowance associated with gas costs.
WCAopc	Commodity charges allowable for working capital application as defined in Section 5.10.
WCFopc	Working Capital Allowance factor derived by dividing Off-peak Commodity charges allowable for working capital (WCA_{opc}) as defined in Section 5.10 by billed Off-peak sales volume.
WCRopc	Working Capital reconciliation adjustment associated with Off-peak commodity charges - Account 173 balance, as outlined in Section 5.10.

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x Designates customer class specific allocation of costs, based on Market Based Allocation factors. (Residential Heating and Residential Non-Heating classes are treated as one customer class for the purpose of deriving class specific CGFs.)

Off-peak Bad Debt (BD) Formula

$$BDFop = \frac{BDop + RAopbd}{OP{:}Sales}$$

Where:

BDop	Bad Debt expense calculated for Off-peak season as defined in Section 5.05.
OP:Sales	Forecasted Off-peak sales volumes.
RAopbd	Off-peak Bad Debt Expense reconciliation adjustment - Account 173 balance.

5.07 Interruptible Sales, Off-System Sales, Capacity Release Revenues, Re-entry Rate Revenues and Conversion Rate Revenues

Ninety percent (90%) of margins from Interruptible Sales and one-hundred percent (100%) of margins from Off-System Sales, Capacity Release, and Re-entry Rates and Conversion Rates will be credited to the Peak season CGF.

5.08 Gas Suppliers' Refunds - Account 242

Refunds from upstream capacity suppliers and suppliers of product demand are credited to Account 242, "Undistributed Purchased Capacity/Product Demand Refunds." Re-funds from suppliers of gas are credited to account 242, "Commodity Undistributed Gas Suppliers' Refunds." Transfers from these accounts will reflect as a credit in the semi-annual calculation of the CGF to be calculated as follows:

Refund programs shall be initiated with each semiannual CGF filing and shall remain in effect for a period of one year. The total dollars to be placed into a given refund program shall be net of over/under-returns from expired programs plus refunds received from suppliers since the previous program was initiated. Refunds shall be segregated by demand and commodity charges and distributed volumetrically, producing per unit refund factors that will return the principal amount with interest as calculated using the Company's average short-term cost of borrowing for the month to the average of the beginning and

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end of month balances of refunds. The Company shall track and report on all Account 242 activities as specified in Section 5.10.

5.09 **Reconciliation Adjustments** - Account 191

(1) The following definitions pertain to reconciliation adjustment calculations:

(a) Capacity Costs Allowable per Peak Demand Formula shall be:

i. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load in the Peak season.
ii. Charges associated with transmission capacity procured by the Company to serve base load requirements in the Peak season.
iii. Charges associated with upstream storage and transmission capacity procured by the Company allocated to serve firm load in excess of base load requirements in the Peak Period.
iv. Charges associated with peaking, downstream production and storage capacity to serve firm load dispatching costs, and other administrative and general expenses in connection with purchasing gas supplies in the Peak season from the Company's most recent test year and allocated to Peak season firm sales service.
v. Non-firm Sales Margins or economic benefits associated with capacity release, off-system sales for resale and interruptible sales margins allocated to the firm sales service.
vi. Credits allocated to the Peak Period associated with daily imbalance charges, fixed component of penalty charges billed transportation customers, and revenues associated with: (a) assignment of capacity to meet firm transportation customers' peak day gas usage; (b) the billing of the Re-entry Rate Charge; and (c) the billing of the Conversion Rate Charge to firm customers switching from transportation to sales service.
vii. Peak demand carrying charges.

(b) Gas Costs Allowable Per Peak Commodity Formula shall be:

i. Charges associated with gas supplies, including any applicable taxes, purchased by the Company to serve firm load in the Peak season
ii. Credit non-firm commodity costs assigned to non-firm customers to which the CGFC does not apply, as defined in Section 5.06 (NFCCp).
iii. Inventory finance charges (FC).
iv. Peak commodity carrying charges.

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(c) Capacity Costs Allowable Per Off-peak Demand Formula shall be:

i. Charges associated with transmission capacity and product demand procured by the Company to serve base load requirements in the Off-peak season.
ii. Charges associated with transmission capacity and product demand procured by the Company to serve firm load in excess of base load requirements in the Off-peak Period.
iii. Credits associated with Demand Delivery Service Monthly Reservation charges, daily imbalance charges and fixed component of penalty charges billed transportation customers in the Off-peak period.
iv. Off-peak demand carrying charges.

(d) Gas Costs Allowable Per Off-peak Commodity Formula shall be:

i. Charges associated with gas supplies, including any applicable taxes, procured by the Company to serve firm load in the Off-peak season.
ii. Non-firm commodity costs associated with non-firm sales to which the CGF is not applied, as defined in Section 5.05.
iii. Off-peak commodity carrying charges.

(e) Costs Allowable Per Bad Debt Formula shall be:

i. Costs associated with uncollected gas costs, including any applicable taxes, incurred by the Company to serve firm load in the Peak and Off-peak reconciliation periods designated by the Company. Such costs will represent the bad debt expense of gas costs in the respective seasonal periods.
ii. Peak and Off-peak Bad Debt carrying charges.

(2) Calculation of the Reconciliation Adjustments

Account 191 contains the accumulated difference between gas cost revenues and the actual monthly gas costs incurred by the Company. The Company shall separate Account 191 into Peak Demand, Peak Commodity, Off-peak Demand, and Off-peak Commodity. Account 191 shall contain the accumulated difference between revenues toward capacity

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costs calculated by multiplying the Peak Demand Factor for each customer class, (DFp^x) times monthly firm sales volumes for each customer class, and the total capacity costs allow able per the peak demand formula. Account 191shall contain the accumulated difference between revenues toward gas costs as calculated by multiplying the Peak Commodity Factor for each customer class, (CFp^x) times monthly firm sales volumes for each customer class, and the total commodity costs allowable per the Peak commodity formula. Account 191 shall contain the accumulated difference between revenues toward capacity costs calculated by multiplying the Off-peak Demand Factor for each customer class, ($DFop^x$) times monthly firm sales volumes for each customer class, and the total capacity costs allowable per the Off-peak demand formula. Account 191 shall contain the accumulated difference between revenues toward gas costs as calculated by multiplying the Off-peak Commodity Factor for each customer class, ($CFop^x$) times monthly firm sales volumes for each customer class, and the total commodity costs allowable per the Off-peak commodity formula.

Carrying Charges shall be calculated on the average monthly balance of each sub-account using the Company's average short-term cost of borrowing for the month, then added to each end-of-the-month balance. The Peak demand reconciliation adjustment factor (RFpd) shall be determined for use in the Peak CGF calculation by dividing the Peak demand account balance as of the Peak reconciliation date, by the forecasted sales volume associated with the Peak Period. The Peak commodity reconciliation adjustment factor (RFpc) shall be determined for use the Peak CGF calculation by dividing the Peak commodity account balance as of the Peak reconciliation date, by the forecasted sales volume associated with the Peak Period. The Off-peak demand reconciliation adjustment factor (RFopd) shall be determined for use in the Peak CGF calculation by dividing the Off-peak demand account balance as of the Off-peak reconciliation date, by the forecasted sales volume associated with the Off-peak period. The Off-peak commodity reconciliation adjustment factor (RFopc) shall be determined for use in the Off-peak CGF calculation by dividing the Off-peak commodity account balance as of the Off-peak reconciliation date, by the forecasted sales volume associated with the Off-peak Period.

The Peak Period reconciliation filing date shall coincide with the next Peak Period CGF filing on August 15 of each year.

The Off-peak Period reconciliation filing date shall coincide with the next Off-peak Period CGF filing on February 15 of each year.

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5.10 Bad Debt and Working Capital Reconciliation Adjustments - Account 173

(1) The following definitions pertain to reconciliation adjustment calculations:

(a) Working Capital Gas Costs Allowable Per Peak Demand Formula shall be:

i. Charges associated with upstream storage, transmission capacity, and product demand procured by the Company to serve firm load in the Peak season.

ii. Charges associated with transmission capacity procured by the Company to serve base load requirements in the Peak season.

iii. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load in excess of base load requirements allocated to the Peak Period.

iv. Carrying Charges.

(b) Working Capital Gas Costs Allowable Per Peak Commodity Formula shall be:

i. Charges associated with gas supplies, including any applicable taxes, purchased by the Company to serve firm load in the Peak season.

ii. Non-firm commodity costs associated with non-firm sales to which the CGA is not applied, as defined in section 5.05.

iii. Carrying charges.

(c) Working Capital Gas Costs Allowable Per Off-peak Demand Formula shall be:

i. Charges associated with transmission capacity procured by the Company to serve base load and non-base load requirements in the Off-peak season.

ii. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load in excess of base load requirements in the Off-peak Period.

iii. Carrying charges.

(d) Working Capital Gas Costs Allowable Per Off-peak Commodity Formula shall be:

i. Charges associated with gas supplies, including any applicable taxes, procured by the company to serve firm load in the Off-peak season.

ii. Non-firm commodity costs associated with non-firm sales to which the CGF is not applied, as defined in section 5.05.

iii. Carrying charges.

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(2) The Peak and Off-peak, demand and commodity working capital allowance shall be calculated by applying the Working Capital Allowance percentage (WCA %), as determined in the Company's most recent rate proceeding, to the actual gas costs allowable per each formula.

(3) Calculation of the Working Capital Reconciliation Adjustments

Account 173 contains the accumulated difference between working capital allowance revenues and the actual monthly working capital allowance cost. The actual monthly working capital allowance shall be calculated by applying the working capital allowance percentage to the actual monthly gas costs.

The Peak demand working capital reconciliation adjustment shall be determined for use in the Peak demand factor calculations incorporating the Peak demand working capital account balance as of the Peak reconciliation date designated by the Company. A Peak commodity working capital reconciliation adjustment shall be determined for use in the Peak commodity factor calculations incorporating the Peak commodity working capital account balance as of the Peak reconciliation date designated by the Company. An Off-peak working capital reconciliation adjustment (WCRopd) shall be determined for use in the Off-peak demand factor calculations incorporating the Off-peak demand working capital account balance as of the Off-peak reconciliation date designated by the Company. An Off-peak commodity working capital reconciliation adjustment (WCRopc) shall be determined for use in the Off-peak commodity working capital account balance as of the Off-peak reconciliation date designated by the Company.

(4) Calculation of the Bad Debt Reconciliation Adjustments

Account 173 contains the accumulated difference between monthly bad debt allowance revenues and the actual monthly bad debt cost. The Peak bad debt reconciliation adjustment factor (RFpbd - as defined in Section 5.06) shall be determined for use in the Peak Period bad debt factor (BDFp) calculations, incorporating the Peak bad debt account balance. RFpbd shall be determined by dividing the Peak bad debt account balance by the forecasted Peak sales volume. The Off-peak bad debt reconciliation adjustment factor (RFopbd - as defined in Section 5.06) shall be determined for use in the Off-peak Period bad debt factor (BDFop) calculations, incorporating the Off-peak bad debt account balance. RFpbd shall be determined by dividing the Off-peak bad debt account balance by the forecasted Off-peak sales volume.

The bad debt account balance for each season shall be calculated by taking the

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difference between the bad debt expense for the respective season and the bad debt gas cost collections during the same seasonal period.

5.11 Application of CGF to Bills

The Company will employ the CGFs as follows: The Peak season rates to each class of customers shall be calculated by adding the respective Peak demand factor and the Peak commodity factor. The Off-peak season rates to each class of customers shall be calculated by adding the respective Off-peak demand factor and the Off-peak commodity factor. The CGFs ($/therm) for each customer class for each season shall be calculated to the nearest hundredth of a cent per unit and will be applied to each customer's monthly sales volume within the corresponding customer class. (Residential Heating and Residential Non-Heating classes are treated as one customer class for the purpose of deriving class specific CGFs.)

5.12 Information Required to be Filed with the MPUC

Information pertaining to the cost of gas adjustment shall be filed with the MPUC in accordance with the format established by the MPUC. Reporting requirements include a semiannual CGF filing, which shall be submitted to the MPUC on or before February 15 for the Summer Season CGF, and on or before August 15 for the Winter Season CGF. In addition, the Company will submit its monthly calculations of the projected over or under-collection of the CGF reconciliation ending balance, along with notification by the Company to the MPUC of any revised CGFs for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. Monthly reports will be issued from November through March in the Winter Season and from May through September in the Summer Season. Monthly reports will not be submitted in April and October because they are the last months of the peak and off-peak seasons, respectively, and cannot result in a rate change in the subsequent month.

Additionally the Company shall file with the MPUC a seasonal reconciliation of gas costs and gas cost collections containing information in support of the reconciliation calculation set out in Sections 5.09 (2) and 5.10 (4). Such information shall include the complete list by (sub)account of all gas costs claimed as recoverable through the CGFC over the previous season. This seasonal reconciliation shall be submitted with each seasonal CGF filing, along with complete documentation of the reconciliation adjustment calculations.

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Issued by: Robert B. Hevert
Title: Senior Vice President

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5.13 Other Rules

(1) The MPUC may, where appropriate, on petition or on its own motion, grant an exception from the provisions of these regulations, upon such terms that it may determine to be in the public interest.
(2) The Company may adjust the approved seasonal CGFs upward or downward monthly based on the Company's calculation of the projected CGF reconciliation ending balance over or under-collection for the applicable Summer or Winter Season, but the cumulative upward adjustment shall not exceed twenty-five (25) percent of the approved seasonal CGFs. Rate adjustments will only be considered when the Winter Season ending balance exceeds 2% of total projected seasonal costs and when the Summer Season ending balance exceeds 5% of total projected seasonal costs.
(3) If the Company seeks a monthly rate adjustment that exceeds twenty-five (25) percent of the initially approved seasonal rate, then an amended CGF must be filed with the MPUC. An amended CGF filing must be submitted 15 days before the first billing cycle of the month in which it is proposed to take effect.
(4) The MPUC may, at any time, require the Company to file an amended CGF.
(5) The operation of the cost of gas factor clause is subject to all powers of suspension and investigation vested in the MPUC pursuant to Chapter 430 of the Commission's Rules and Regulations.

5.14 Customer Notification

The Company will design a notice, which explains in simple terms to customers the CGF, the nature of any change in the CGF and the manner in which the CGF is applied to the bill. The Company will distribute these notices to all of its customers either through direct mail or with its bills.

RECONCILIATION ADJUSTMENT ACCOUNTS

191 Off-peak Commodity Reconciliation Adjustment for CGFC

This account shall be used to record the cumulative difference between Off-peak commodity gas revenues and Off-peak commodity gas costs. Entries to this account shall be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

191 Off-peak Demand Reconciliation Adjustment for CGFC

This account shall be used to record the cumulative difference between Off-peak demand gas revenues and Off-peak demand gas costs. Entries to this account shall

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be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

173 **Peak Bad Debt Reconciliation Adjustment for CGFC**

This account shall be used to record the cumulative difference between Peak bad debt revenues and Peak bad debt costs. Entries to this account shall be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

191 **Peak Commodity Reconciliation Adjustment for CGFC**

This account shall be used to record the cumulative difference between Peak commodity gas revenues and Peak commodity gas costs. Entries to this account shall be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

191 **Peak Demand Reconciliation Adjustment for CGFC**

This account shall be used to record the cumulative difference between Peak demand gas revenues and Peak demand gas costs. Entries to this account shall be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

173 **Off-peak Bad Debt Reconciliation Adjustment for CGFC**

This account shall be used to record the cumulative difference between Off-peak bad debt revenues and Off -peak bad debt costs. Entries in this account shall be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

173 **Peak Demand Gas Working Capital Allowance Reconciliation Adjustment for CGFC**

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This account shall be used to record the cumulative difference between Peak demand gas working capital allowance revenues and Peak demand gas working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

173 **Peak Commodity Gas Working Capital Allowance Reconciliation Adjustment for CGFC**

This account shall be used to record the cumulative difference between Peak commodity gas working capital allowance revenues and Peak commodity gas working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

173 **Off-peak Demand Gas Working Capital Allowance Reconciliation Adjustment for CGFC**

This account shall be used to record the cumulative difference between Off-peak demand gas working capital allowance revenues and Off-peak demand gas working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

173 **Off-peak Commodity Gas Working Capital Allowance Reconciliation Adjustment for CGFC**

This account shall be used to record the cumulative difference between Off-peak commodity gas working capital allowance revenues and Off-peak commodity gas working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Factor Clause pursuant to Chapter 430 of the Commission's Rules and Regulations.

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THIS PAGE RESERVED FOR FUTURE USE

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Title: Senior Vice President

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Sixty-fourth Revised Page No. 60.1
Superseding Sixty-third Revised Page No. 60.1

Northern Utilities - MAINE DIVISION
Calculation of Winter Period Gas Cost Factor
Effective December 2024

Line No.	Firm Sales Service	R-1 & R-2 Residential	G-50 Small HLF Rate Class	G-40 Small LLF Rate Class	G-51 Medium HLF Rate Class	G-41 Medium LLF Rate Class	G-52 Large HLF Rate Class	G-42 Large LLF Rate Class		Total
1	**Winter Demand Costs -**	$5,532,566	$194,126	$4,615,541	$305,268	$4,282,695	$2,048,519	$1,999,964	$	18,978,679
2	Forecasted Sales (therms)	14,662,177	914,480	12,276,675	1,438,044	11,391,353	9,650,083	5,319,615		55,652,427
3	Unit Winter Demand Cost (Ln 1 divided by Ln 2)	$0.3773	$0.2123	$0.3760	$0.2123	$0.3760	$0.2123	$0.3760		
4	Reconciliation Adjustment (RF)	$0.0420	$0.0420	$0.0420	$0.0420	$0.0420	$0.0420	$0.0420	$	2,337,143
5	Working Capital Factor - (WCFpd)	$0.0015	$0.0015	$0.0015	$0.0015	$0.0015	$0.0015	$0.0015	$	83,733
6	Per-Unit Supplier Refund (R1d)	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000		
7	Per-Unit Supplier Refund (R2d)	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000		
8	**Total Winter Demand Factor (DFp) (Ln. 3 thru 7)**	**$0.4208**	**$0.2558**	**$0.4195**	**$0.2558**	**$0.4195**	**$0.2558**	**$0.4195**	**$**	**21,399,555**
9	**Winter Commodity Costs -**	$4,105,559	$286,489	$3,431,840	$450,512	$3,184,355	$3,023,191	$1,487,053	$	15,969,000
10	Forecasted Sales (therms)	14,662,177	914,480	12,276,675	1,438,044	11,391,353	9,650,083	5,319,615		55,652,427
11	Unit Winter Commodity Cost (Ln 9 divided by Ln 10)	$0.2800	$0.3133	$0.2795	$0.3133	$0.2795	$0.3133	$0.2795		
12	Reconciliation Adjustment	$0.0173	$0.0173	$0.0173	$0.0173	$0.0173	$0.0173	$0.0173	$	962,310
13	Working Capital Factor (WCFpc)	$0.0010	$0.0010	$0.0010	$0.0010	$0.0010	$0.0010	$0.0010	$	57,577
14	Per-Unit Supplier Refund (R1c)	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000		
15	**Per-Unit Supplier Refund (R2c)**	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000	$0.0000		
16	**Total Winter Commodity Factor (CFp) (LN 11 - 15)**	**$0.2983**	**$0.3316**	**$0.2978**	**$0.3316**	**$0.2978**	**$0.3316**	**$0.2978**	**$**	**16,988,887**
17	**Unit Winter Bad Debt (BDFp)**	**$0.0063**	**$0.0063**	**$0.0063**	**$0.0063**	**$0.0063**	**$0.0063**	**$0.0063**	**$**	**348,539**
18	**Winter Gas Adjustment Factor (CGFp) (Ln 8+ Ln 16 + Ln 17)**	**$0.7254**	**$0.5937**	**$0.7236**	**$0.5937**	**$0.7236**	**$0.5937**	**$0.7236**	**$**	**38,736,981**
19	**Revision to Cost of Gas per November 2024 Report**	**($0.0879)**	**($0.0879)**	**($0.0879)**	**($0.0879)**	**($0.0879)**	**($0.0879)**	**($0.0879)**		
20	**Revised Winter Gas Adjustment Factor (CGFp) (Ln 18+ Ln 19)**	**$0.6375**	**$0.5058**	**$0.6357**	**$0.5058**	**$0.6357**	**$0.5058**	**$0.6357**		

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Issued By: Daniel Hurstak
Title: Vice President and Treasurer

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