

REVENUE DECOUPLING ADJUSTMENT CLAUSE  
SCHEDULE RDAC

1.0 PURPOSE

The purpose of the Revenue Decoupling Adjustment Clause (“RDAC”) is to establish procedures that allow the Company to adjust, on an 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 Factors (“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 Domestic Delivery Service (Schedule D and Schedule TOU-D) and General Delivery Service (Schedule G), as determined in accordance with the provisions of this Tariff.

4.0 DEFINITIONS

The following definitions shall apply throughout the Tariff:

1. Actual Base Revenues is the revenue collected for a Customer Class through the Company’s customer charge and distribution charges plus the change in unbilled revenues. This excludes revenues collected through the RDAF.
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. As provided for in DE 21-030, with respect to the RiverWoods’ metering conversion, the Company will add back the number of residential customers lost and remove the number of G2 customers added as part of this decoupling calculation as the conversions occur.
3. Actual Base Revenues per Customer is Actual Base Revenues divided by the Actual Number of Customers for a Customer Class.

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Sr. Vice President

REVENUE DECOUPLING ADJUSTMENT CLAUSE  
SCHEDULE RDAC (continued)

4. Adjustment Period is the 12-month period for which the RDAF will be applied for each applicable customer class. The first Adjustment Period shall be the twelve-month period from August 1, 2023 to July 31, 2024. Each subsequent Adjustment Period shall be the twelve months August 1 through July 31.
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 taking service under the same Rate Schedule and defined as follows: Domestic Delivery Service (Schedule D and Schedule TOU-D), Regular General Service (Schedule G2), Regular General Service (Schedule G2 kWh meter), Regular General Service (Schedule G2 Quick Recovery Water Heating and Space Heating), and Large General Service (Schedule G1).
9. Customer Group is the group of customers for purposes of calculating the Revenue Decoupling Adjustment amounts, defined as 1) Schedule D and Schedule TOU-D, Domestic, 2) Schedule G, Regular General Service G2, G2 kWh Meter, Uncontrolled Quick Recovery Water Heating, and Space Heating, 3) Schedule G, Large General Service G1.
10. Measurement Period is the 12-month 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 be the ten-month period from June 1, 2022 to March 31, 2023. Each subsequent Measurement Period shall be the twelve months April 1 through March 31.

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REVENUE DECOUPLING ADJUSTMENT CLAUSE  
SCHEDULE RDAC (continued)

11. Revenue Decoupling Adjustment ("RDA") is the cumulative monthly revenue variances, carrying costs and reconciliation amount for the Measurement Period. The RDA forms the basis for RDAF.

5.0 CALCULATION OF REVENUE DECOUPLING ADJUSTMENT FACTOR

i. Description of RDAF Calculation

For each month within the 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. The revenue variance will be recorded in a deferral account with carrying costs accrued monthly at Prime rate with said Prime rate to be fixed on a quarterly basis and to be established as reported in THE WALL STREET JOURNAL on the first business day of the month preceding the calendar quarter. If more than one interest rate is reported, the average of the reported rates shall be used. On or before June 15 following the end of each Measurement Period, the Company will file for implementation of the RDAF, starting the first day of the Adjustment Period. The sum of the monthly RDA at the end of Measurement Period will form the basis for the RDAF calculation. The RDA, including reconciliation amount and carrying costs, shall be reconciled for the three Customer Groups. The RDAF is calculated as a dollar per kWh charge or credit based on the total for each Customer Group divided by the projected kWh sales for each Customer Group over the Adjustment Period. The RDAF shall be applied to customer bills during the 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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REVENUE DECOUPLING ADJUSTMENT CLAUSE  
SCHEDULE RDAC (continued)

$ACUST_i^{CC}$ : 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:

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

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

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

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

$i$ : The months contained in the Measurement Period, as defined in Section 4.0.

2. Revenue Decoupling Adjustment (RDA)

$$RDA^{CG} = \sum_{i=1}^{12} MRV_i^{CG} + \text{CarryingCosts}_i^{CG} + REC_p^{CG}$$

Where:

$CG$ : The Customer Groups as defined in Section 4.0.

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

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

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REVENUE DECOUPLING ADJUSTMENT CLAUSE  
SCHEDULE RDAC (continued)

3. RDA subject to Adjustment Cap

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

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

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

Where:

$|RDA^{CG}|$ : Absolute Value of RDA for each customer group.

$RDC^{CG}$ : The Revenue Decoupling Cap that equals three (3.0) percent of distribution revenues for each Customer Group over the relevant Measurement Period(s).

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

4. RDAF Calculation

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

Where:

$FS^{CG}$ : The forecasted kWh Sales for the Adjustment Period for the applicable customer group.

6.0 Application of the RDAF to Customer Bills

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

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 4.0, and actual revenues received by the Company through application of the RDAF to customer bills in

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REVENUE DECOUPLING ADJUSTMENT CLAUSE  
SCHEDULE RDAC (continued)

the Adjustment Period. Carrying costs shall be calculated on the average monthly balance of the deferred balance using the Prime rate.

8.0 Revenue Decoupling Adjustment Cap

The RDA for the Adjustment Period, determined in accordance with Section 5.0, may not exceed three (3.0%) percent of actual distribution revenues for each Customer Group over the relevant Measurement Period(s). The Revenue Decoupling Adjustment Cap is applicable to both over- and under-recoveries. To the extent that the application of the RDA cap results in a RDA 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 rate.

9.0 Information to be Filed with the Commission

Information pertaining to the RDAC will be filed annually on or before June 15 with the Commission 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.
3. Calculation of the Revenue Decoupling Adjustment Factors for each Customer Group, to be utilized in the upcoming Adjustment Period. If distribution rates change during the 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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**CALCULATION OF THE REVENUE DECOUPLING ADJUSTMENT FACTORS**

	<b>Domestic - D and TOU-D</b>	<b>General Service - Regular General G2, G2 kWh Meter, and Quick Recovery Water Heating and Space Heating</b>	<b>Large General Service - G1</b>
1. Beginning Balance - April 1, 2023	(\$895,969)	\$5,666	(\$40,424)
2. Total Monthly Revenue Variances (MRV) - Apr 2023-Mar 2024	(\$1,843,387)	\$363,977	(\$14,231)
3. Collections / (Credits) associated with current RDAF - Aug 2023-Jul 2024	\$880,893	(\$6,157)	\$41,716
4. Carrying Costs - Apr 2023 - Jul 2025	<u>(\$356,106)</u>	<u>\$70,315</u>	<u>(\$2,633)</u>
5. Total Revenue Decoupling Adjustment (RDA) for credit / (collection) (L. 1 + L. 2 + L. 3 + L. 4)	(\$2,214,569)	\$433,801	(\$15,572)
6. RDA Cap (+ / -)	\$1,070,391	\$586,077	\$256,271
7. RDA Deferral (If  L.5 >L. 6, difference L.5 and L. 6, otherwise \$0)	(\$1,144,178)	\$0	\$0
8. RDA eligible for credit / (collection) (L. 5 - L. 7)	(\$1,070,391)	\$433,801	(\$15,572)
9. Estimated kWh Sales - Aug 2024-Jul 2025	505,410,987	316,146,641	293,061,236
10. Revenue Decoupling Adjustment Factor (\$/kWh) (-1 * L. 8 / L. 9)	\$0.00212	(\$0.00137)	\$0.00005

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