COST OF GAS ADJUSTMENT CLAUSE

Section

1.0 Purpose

The purpose of this clause is to establish procedures that allow Eversource Gas Company of Massachusetts d/b/a Eversource Energy ("Eversource" or the "Company"), subject to the jurisdiction of the Department of Public Utilities ("Department") to adjust, on a semiannual basis, its rates for firm gas sales 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 all supplier refunds and the margins above the Annual Threshold associated with capacity credits from non-core sales and transportation, interruptible sales and transportation and capacity release sales to firm ratepayers.

2.0 Applicability

This Cost of Gas Adjustment Clause ("CGAC") shall be applicable to Eversource and all firm gas sales made by Eversource, unless otherwise designated. The application to the clause may, for good cause shown, be modified by the Department. See Section 13.0, "Other Rules."

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3.0 Cost of Firm Gas Allowable for CGAC

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 percent (from the last general rate case) applied to allowable CGAC costs for the forecast period, transportation fees, costs associated with buyouts of existing contracts, and purchased gas working capital may be included in the CGAC. Any costs recovered through application of the CGAC shall be identified and explained fully in the semi-annual filings outlined in Section 12.0.

4.0 Effective Date of Gas Adjustment Factor

The date on which the seasonal Gas Adjustment Factors ("GAF") become effective shall be the first day of the first month of each season as designated by the Company. Unless otherwise notified by the Department, the Company shall submit GAF filings as outlined in Section 12.0 of this clause at least 45 days before they are to take effect.

5.0 Definitions

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

(1) **Annual Threshold** - A threshold level of margins, established annually and separately for Capacity Release, Interruptible Sales and Off-System Sales, based on the twelve months ended April 30 each year, the level above which the Company retains 25% of such margins.

(2) **Bad Debt Expense -** is the uncollectable expense attributed to the Company's gas costs plus allowable working capital derived from the gas cost portion of bad debt.

(3) **Base Load Requirements** - The annual quantity of gas supply needed to satisfy the lowest level of firm demand based on the average July and August loads.

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

(5) **Carrying Charges** - Interest expense calculated on the average monthly balance using the consensus prime rate as reported in the *Wall Street Journal*.

(6) **Economic Benefit** - The difference between the revenues received and the marginal cost determined to serve non-core customers.

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

(8) **Inventory Finance Charges** - As incurred or billed each month for the carrying costs on the value of the balance of inventory gas for the respective month. The total charges shall represent an accumulation of the projected monthly charges as calculated using the monthly average of financed inventory at the existing (or anticipated) financing rate of the

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Company or through a trust or other financing vehicle.

(9) **Local Production Capacity and Storage Costs** - Include the ancillary supply costs of providing local manufactured gas, gas dispatching, gas acquisition, and miscellaneous A&G costs as determined in the Company's most recent rate proceeding.

(10) **SMBA** – Simplified Market Based Allocation Method - Used in determining the allocation of gas costs among High and Low Load Factor classes.

(11) **Non-Core Commodity Costs** - The commodity cost of gas assigned to non-core sales to which the GAF is not applied. Non-core sales include sales made under interruptible contracts, non-core contracts and off-system sales.

(12) **Non-Core Sales Margins** – The economic benefit derived from non-core transactions to which the GAF is not applied, including interruptible sales and other non-core sales generated from the use of the Company's Gas Supply resource portfolio.

(13) **Off-System Sales Margin** - The economic benefit derived from the non-firm sales of natural gas supplies upstream of Company's distribution system.

(14) **Number of Days Lag** - The number of days lag to calculate the purchased gas working capital requirement as approved by the Department. The number of days lag will be derived with each year's Peak Period GAF filing based on a Lead/Lag study updated with the most recently available twelve months of data pertaining to the purchase of gas from suppliers and the payment by customers.

(15) **Off-Peak Commodity** – Unless otherwise approved by the Department, the gas supplies assigned by the Company to serve firm load in the off-peak season.

(16) **Off-Peak Demand** - Unless otherwise approved by the Department, the gas supply demand and transmission capacity assigned by the Company to serve firm load in the off-peak season.

(17) **Off-Peak Period** - May through October.

(18) **Peak Commodity** - Unless otherwise approved by the Department, the gas supplies assigned by the Company to serve firm load in the peak season.

(19) **Peak Demand** - Unless otherwise approved by the Department, gas supply demand, peaking demands, storage and transmission capacity assigned by the Company to service firm load in the peak season.

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

(21) **PR Allocator** - The percentage allocated for the portion of annual capacity charges assigned to the seasons calculated in each CGA filing.

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

(23) **Purchased Gas Working Capital** - The allowable working capital derived from peak and off-peak, demand and commodity related costs.

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

(25) **Weighted Cost of Capital** is the weighted cost of capital as set in the Company's most

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recent base rate case.

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

6.0 Gas Adjustment Factor (GAF) Formula

The Gas Adjustment Factor ("GAF") 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.

A separate seasonal GAF will be computed for the combined Low Load Factor classes namely Rates R-3, R-4, G-40, G-41, G-42 and G-43; and for the combined High Load Factor classes namely Rates R-1, R-2, L, G-50, G-51, G-52 and G-53. The calculation of each seasonal GAF utilizes information periodically established by the DPU and shall include Local Production & Storage costs including the portion of costs associated with LNG/LPG Production as approved by the Department. The Bad Debt Expense Percentage shall be 2.12% as most recently approved in D.P.U. 20-59.

Peak GAF Formula

The Peak GAF shall be comprised of a peak demand factor (DFp), a peak commodity factor (CFp), a peak production and storage demand factor (PSp), gas suppliers' refund factors (R1 and R2) defined in Section 8.0 and a bad debt factor (BDF) defined in Section 15.0, for the Company's High and Low Load Factor classes and calculated at the beginning of the peak season according to the following formula:

$$GAFp^x = DFp^x + PSp^x + CFp^x + BDF - R1 - R2$$

Peak Demand Factor (DFp) Formula

$$DFp^x = \frac{Dp^x - NCSMp^x}{P : Sales^x} + RFpd + WCFpd$$

and:

$$Dp^x = BASEDp^x + REMAINDp^x + PSp^x$$

and:

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$NCSMp^x = CRR^x + ISM^x + NTSM^x$

and:

RFpd = Rpd/P:Sales

and:

$$WCFpd = \frac{\left[\dfrac{(WCApd \times CC) - (WCApd \times CD)}{(1 - TR)}\right] + (WCApd \times CD) + WCRpd}{P : Sales}$$

and:

WCApd = Dp x (DL/365)

Where:

BASEDp	Peak period base use demand charges assigned on the basis of base use entitlements to low cost pipeline supplies using the average of July and August's daily loads.
CC	Weighted cost of capital as defined in Section 5.0.
CD	Weighted cost of debt as defined in Section 5.0.
CRR	The returnable Capacity Release Revenues allocated to the peak period. See Section 7.0.
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers.
Dp	Demand Charges allocated to the peak period as defined in Section 5.0.
$NCSMp^X$	The sum of the returnable Interruptible Non-Core Sales Margins, the returnable Capacity Release Revenues and the Off-System margins.
ISM	The returnable Interruptible Sales Margins allocated to the peak period. See Section 7.0.
NTSM	The returnable Off-System Sales Margins allocated to the peak period. See Section 7.0.
P:Sales	Forecasted sales volumes associated with the peak period.
REMAINDp	Peak period remaining use demand charges assigned to classes on the basis of their load's contribution to the design day load less their base use entitlements to pipeline supplies. This remaining capacity cost is allocated to seasons using the Proportional Responsibility (PR) allocator.
RFpd	Peak demand charge reconciliation adjustment factor per billed peak sales volume associated with demand charges related to the peak period.

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Rpd	Reconciliation Costs - Peak demand deferred gas costs, Account 175.541 balance, inclusive of the associated Account 175.541 interest, as outlined in Section 9.0.
TR	Combined Tax Rate as defined in Section 5.0
WCApd	Demand charges allowable for working capital application as defined in Section 10.0.
WCFpd	Working Capital allowable factor per billed peak sales volume associated with demand charges allocated to the peak period as defined in Section 10.0.
WCRpd	Working Capital reconciliation adjustment associated with peak demand charges - Account 175.520 balance as outlined in Section 10.0.
x	Designates Load Factor Specific allocation of costs based on Simplified Market Based Allocation factors as determined in the Company's most recent rate proceeding.
PSpx	Portion of test year Local Production Capacity and Storage Costs, as defined in Section 5.0, allocated to peak period firm sales through the CGAC as determined in the Company's most recent rate proceeding.

Peak Commodity Factor (CFp) Formula

$$CFp^{x} = \left[\frac{Cp^{x} - NCCCp^{x} + FC^{x}}{P : Sales^{x}} \right] + RFpc + WCFpc$$

and:

$$Cp^{x} = BASECp^{x} + REMAINCpx$$

and:

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

and:

$$WCFpc = \frac{\left[\frac{(WCApc \times CC) - (WCApc \times CD)}{(1 - TR)} \right] + (WCApc \times CD) + WCRpc}{P: Sales}$$

and:

$$WCApc = Cp \times (DL/365)$$

Where:

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BASECp	Peak period base use commodity charges assigned on the basis of base use entitlements to low cost pipeline supplies using the average of July and August daily loads.
CC	Weighted costs of capital as defined in Section 5.0
CD	Weighted costs of debt as defined in Section 5.0.
Cp	Commodity Charges allocated to the peak period as defined in Section 5.0.
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers.
FC	Inventory finance charges as defined in Section 5.0.
NCCCp	Non-Core Commodity Costs allocated to the peak period as defined in Section 5.0.
P:Sales	Forecasted sales volumes associated with the peak period.
REMAINCp	Peak period remaining use commodity charges computed as dispatched commodity costs less base use commodity costs.
RFpc	Peak commodity charge reconciliation adjustment factor per billed peak sales volume associated with commodity charges related to the peak period.
Rpc	Reconciliation Adjustment Costs - Account 175.540 balance, inclusive of the associated Account 175.540 interest, as outlined in Section 9.0.
R	Combined Tax rate as defined in Section 5.0.
WCApc	Commodity charges allowable for working capital application as defined in Section 10.0.
WCFpc	Working Capital allowable factor per peak sales volume associated with commodity charges allocated to the peak period as defined in Section 10.0.
WCRpc	Working Capital reconciliation adjustment associated with peak commodity charges Account 175.521 balance as outlined in Section 10.0.
x	Designates Load Factor class specific allocation of costs, based on Simplified Market Based Allocation factors, as determined in the Company's most recent rate proceeding.

Off-Peak GAF Formula

The Off-Peak GAF shall be comprised of an off-peak demand factor (Dfop), an off-peak production and storage demand factor (PSop), an off-peak commodity factor (Cfop), gas suppliers' refund factors (R1 and R2) defined in Section 8.0 and a bad debt factor (BDF), defined in Section 15.0 for the Company's High and Low Load Factor classes, and calculated at the beginning of the off-peak season according to the following formula.

$$GAFop^{X} = DFop^{X} + CFop^{X} + PSop^{x} + BDF - R1 - R2$$

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Off-Peak Demand Factor (DFop) Formula

$$DFop^x = \frac{Dop^x}{OP{:}Sales^x} + RFopd + WCFopd$$

and:

$$Dop^X = Sum{:}BLDop^X + (Sum{:}BLDXop^X \times (1 - PR))$$

and:

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

and:

$$WCFopd = \frac{\frac{[(WCAopd \times CC) - (WCAopd \times CD)]}{(1 - TR)} + (WCAopd \times CD) + WCRopd}{(OP{:}Sales)}$$

and:

$$WCAopd = Dop \ (DL/365)$$

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 5.0.
BLDXop	Base demand costs in excess of demand costs associated with base load level billed to the Company during the off-peak period.
CC	Weighted cost of capital as defined in Section 5.0.
CD	Weighted cost of debt as defined in Section 5.0.
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers.
Dop	Demand charges allocated to the off-peak period as defined in Section 5.0.
OP:Sales	Forecasted sales volumes associated with the off-peak period.
PR	Proportional Responsibility Allocator - A percentage representing a portion of capacity/product charges incurred in the off-peak season and assigned to the peak period calculated in each CGA filing as defined in Section 5.0.
RFopd	Off-peak demand charge reconciliation adjustment factor per billed off peak

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	throughput volume associated with demand charges related to the off peak period.
Ropd	Reconciliation Costs - Account 175.551 balance, inclusive of the associated Account 175.551 interest, as outlined in Section 9.0.
SMBA	Simplified Market Based Allocator – Load Factor specific allocator as defined in Section 5.0.
TR	Combined Tax rate as defined in Section 5.0.
WCAopd	Demand charges allowable for working capital application as defined in Section 6.0.
WCFopd	Working Capital factor allowable per billed off-peak sales associated with demand charges allocated to the off-peak period as defined in Section 10.0.
WCRopd	Working Capital reconciliation adjustment associated with off-peak demand charges balance account 175.501 balance as outlined in Section 10.0.
x	Designates Load Factor specific allocation of costs based on Simplified Market Based Allocation factors, as determined in the Company's most recent rate proceeding.
PS_{op}^{x}	Portion of test year Local Production Capacity and Storage Costs, as defined in Section 5.0, allocated to off-peak period firm sales through the CGAC as determined in the Company's most recent rate proceeding.

Off-Peak Commodity Factor (CFop) Formula

$$CFop^{x} = \frac{Cop^{x} - NCCCop^{x}}{OP : Sales^{x}} + RFopc + WCFopc$$

and:

$$Cop^{X} = Sum{:}OPC^{X} - BOao^{X} - INJop^{X} - LIQop^{X}$$

and:

$$BOao^{X} = [(BOop - (BOvolop \times (TPop/TPvolop)))\ SMBA^{X}]$$

and:

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

and:

$$WCFopc = \frac{[(WCAopc \times CC)-(WCAopc \times CD)]}{(1 - TR)} + (WCAopc \times CD) + WCRopc$$

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OP : Sales

and:

WCAopc = Cop (DL/365)

Where:

BOao	LNG Boil-off allocation as defined in Section 9.0.
BOop	Cost of LNG Boil-off during the off-peak period.
BOvolop	LNG Boil-off volumes purchased in the off-peak period.
CC	Weighted cost of capital as defined in Section 5.0.
CD	Weighted cost of debt as defined in Section 5.0.
Cop	Commodity Charges billed to the off-peak period as defined in Section 5.0.
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers. See Section 10.0.
INJop	Injections into underground storage during the off-peak period.
LIQop	Liquefactions into storage during the off-peak period.
NCCCop	Non-core commodity costs allocated to the off-peak period as defined in Section 6.0.
OP:Sales	Forecasted 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 5.0.
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 175.550 balance, inclusive of the associated Account 175.550 interest, as outlined in Section 9.0.
TPop	Total pipeline commodity purchase charges for the off-peak period.
TPvolop	Total pipeline purchase volumes for the off-peak period.
TR	Combined Tax rate as defined in Section 5.0.
WCAopc	Commodity charges allowable for working capital application as defined in Section 10.0.
WCFopc	Working Capital allowable per off-peak sales volume associated with commodity charges allocated to the off-peak period as defined in Section 10.0.
WCRopc	Working Capital reconciliation adjustment associated with off-peak commodity charges - Account 175.500 balance, as outlined in Section 10.0.
x	Designates Load Factor specific allocation of costs based on Simplified Market Based Allocation factors.

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7.0 Interruptible Sales, Off-System Sales and Capacity Release Revenues

Non-Core Sales include Interruptible Sales, Off-System Sales and Capacity Release transactions. All margins from transactions associated with Non-Core Sales entered into or renewed on and after February 20, 2013, pursuant to D.P.U. 10-62, shall be divided between the Company and its firm sales customers under a 10%/90% sharing arrangement. In accordance with this sharing arrangement, 90% of margins from all Non-Core Sales shall be reflected as a credit in the peak season GAF.

For any transactions that are still in force that have been entered into prior to February 20, 2013, the Annual threshold level of margins will be established annually and separately for Interruptible Sales, Off-System Sales and Capacity Release Revenues to determine the margin sharing arrangement. Any margins earned in excess of the predetermined level shall be divided between the Company and its firm sales customers under a 25/75 sharing arrangement. The threshold level of margins shall be adjusted to reflect additions or losses from Customers who switch from FT, FS or Interruptible Transportation (“IT”) to IS and conversely, from IS to FT, FS or IT. The Company shall adjust the Annual threshold level to reflect Interruptible Sales, Off-System sales, and capacity release revenues for the twelve-month period ending April 30 of each year.

Margins from Interruptible Sales, Off-System Sales and Capacity Release will be reflected as separate credits in the peak season GAF and shall be calculated as the sum of the following:

(1) 100% of the margins earned up to the predetermined threshold level.
(2) 75% of the margins earned in excess of the predetermined threshold level.

8.0 Gas Suppliers' Refunds - Accounts 242.201 and 242.202

Refunds from upstream capacity suppliers and suppliers of gas are credited to Account 242.201, “Refund-November” if received during the months of March through August, and to Account 242.202 “Refund-May”, if received during the months of September through February.

A refund program shall be initiated with each semiannual GAF filing and shall remain in effect for a period of one year. The balance in Account 242.201 shall be placed into a refund program with each November filing. The balance in Account 242.202 shall be placed into a refund program with each May filing. 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. The Company shall track and report on all Account 242.201 and Account 242.202 activities. If during any twelve-month period commencing with the billing month of November for Account 242.201 and May for Account 242.202, the projected supplier refund factor

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is less than one-hundredth of a cent per therm ($0.0001), the respective supplier refund account balance shall be transferred into Account 175.541 or Account 175.551 for the November and May filings respectively.

<u>Gas Supplier's Refund Factors</u>

R1 The per unit supplier refund associated with the Refund – May program. The following formula shall be used to calculate the R1 factor.

$$R1 = \frac{R1\$ + I}{A{:}Sales}$$

Where:

R1$	Ending balance in Account 242.202 "Refund – May"
I	Total forecasted interest calculated on the R1$ balance computed at the consensus prime rate as reported in the *Wall Street Journal* based on a 365 day year.
A:Sales	Forecasted annual firm sales volumes.

R2 The per unit supplier refund associated with the Refund – November program. The following formula shall be used to calculate the R2 factor.

$$R2 = \frac{R2\$ + I}{A{:}Sales}$$

Where:

R2$	Ending balance in Account 242.201 "Refund – November"
I	Total forecasted interest calculated on the R2$ balance computed at the Federal Reserve Prime Rate based on a 365 day year.
A:Sales	Forecasted annual firm sales volumes.

9.0 <u>Reconciliation Adjustments – Other than Working Capital</u>

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

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

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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 to serve firm load in excess of base load requirements in the peak period, plus a reallocation of a portion of such charges incurred in the off-peak season to serve firm load.
iv. Charges associated with peaking, production and storage capacity to serve firm load in the peak season as determined in the test year of the Company's most recent rate proceeding and allocated to firm sales storage service.
v. Credits associated with Non-Core Sales Margins or economic benefits from capacity release, off-system sales for resale and interruptible sales margins allocated to the firm sales service.
vi. Credits associated with daily imbalance charges billed transportation customers in the peak period.
vii. Peak demand Carrying Charges as defined in Section 5.0.

(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, plus a reallocation of LNG boiloff costs from the off-peak season, determined by the product of the difference in the average cost of pipeline purchases during the off-peak period and the average cost of LNG boiloff in the off-peak period times the LNG boiloff volumes purchased in the off-peak period, less the cost of injections and liquefaction into storage.
ii. Credit non-core commodity costs assigned to non-core customers to which the CGAC does not apply, as defined in Section 6.0 (NCCCp).
iii. Inventory finance charges (FC).
iv. Peak commodity Carrying Charges as defined in Section 5.0.

(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

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procured by the Company to serve firm load in excess of base load requirements in the off-peak period

iii. Credits associated with daily imbalance charges billed transportation customers in the off peak period.

iv. Off-peak demand Carrying Charges as defined in Section 5.0.

v. Other A & G and Acct. 851 charges associated with peaking production and storage capacity to serve firm load in the off-peak season as determined in the test year of the Company's most recent rate proceeding and allocated to firm sales storage service

(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, less the reallocation of LNG boiloff costs determined by the product of the difference in the average cost of pipeline purchases during the off-peak period and the average cost of LNG boiloff in the off-peak period times the LNG boiloff volumes purchases in the off-peak period, less the cost of injections and liquefactions into storage.

ii. Credits associated with Non-core commodity costs from non-core sales to which the GAF is not applied, as defined in Section 5.0.

iii. Off-peak commodity Carrying Charges as defined in Section 5.0.

(2) Calculation of the Reconciliation Adjustments

Account 175 contains the accumulated difference between gas cost revenues and the actual monthly gas costs incurred by the Company. The Company shall separate these accounts into Peak Demand (Account 175.541), Peak Production and Storage Demand (175.530), Peak Commodity (Account 175.540), Off-Peak Demand (Account 175.551), Off-Peak Production and Storage Demand (175.531) and Off-Peak Commodity (Account 175.550). Account 175.541 shall contain the accumulated difference between revenues toward capacity costs calculated by multiplying the Peak Demand Factor for the High and Low Load Factor classes, (DFp^{X}) times monthly firm sales volumes for High and Low Load Factor classes, and the total capacity costs allowable per the peak demand formula. Account 175.540 shall contain the accumulated difference between revenues toward gas costs as calculated by multiplying the Peak Commodity Factor for the High and Low Load Factor classes, (CFp^{X}) times monthly firm sales volumes for High and Low Load Factor classes, and the total commodity costs allowable per the peak commodity formula. Account 175.530 shall contain the accumulated difference between revenues as calculated by multiplying the Peak Production and Storage Demand Factor for the High and Low

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Load Factor class, (PS_p^x) times monthly firm sales volumes forthe High and Low Load Factor classes, and the total production and storage costs allowable per the peak production and storage demand formula. Account 175.551 shall contain the accumulated difference between revenues toward capacity costs calculated by multiplying the Off-Peak Demand Factor for the High and Low Load Factor classes, ($DFop^X$) times monthly firm sales volumes for the High and Low Load Factor classes, and the total capacity costs allowable per the off-peak demand formula. Account 175.550 shall contain the accumulated difference between revenues toward gas costs as calculated by multiplying the Off-Peak Commodity Factor for the High and Low Load Factor classes, ($CFop^X$) times monthly firm sales volumes for the High and Low Load Factor classes, and the total commodity costs allowable per the off-peak commodity formula. Account 175.531 shall contain the accumulated difference between revenues as calculated by multiplying the Off-Peak Production and Storage Demand Factor for the High and Low Load Factor classes, (PS_{op}^x) times monthly firm sales volumes for the High and Low Load Factor classes, and the total production and storage costs allowable per the off-peak production and storage demand formula.

Carrying Charges as defined in Section 5.0 shall be added to each end-of-the-month balance. The peak demand reconciliation adjustment factor (RFpd) shall be determined for use in the peak GAF calculation by dividing the peak demand account (175.541) balance as of the peak reconciliation date, by the forecasted sales volume associated with the peak period. The peak production & storage demand reconciliation adjustment factor (RFppsd) shall be determined for use in the peak GAF calculation by dividing the peak production and storage demand account (175.530) 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 in the peak GAF calculation by dividing the peak commodity account (175.540) 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 off peak GAF calculation by dividing the off-peak demand account (175.551) balance as of the off-peak reconciliation date, by the forecasted sales volume associated with the off-peak period. The off-peak production and storage demand reconciliation adjustment factor (RFoppsd) shall be determined for use in the off-peak GAF calculation by dividing the off-peak production and storage demand account (175.531) 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 GAF calculation by dividing the off-peak commodity account (175.550) balance as of the off-peak reconciliation date, by the forecasted sales volume associated with the off-peak period.

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The peak period reconciliation will be submitted with the peak period GAF filing forty-five (45) days prior to the date on which the peak period GAF is to be effective.

The off-peak period reconciliation shall be submitted with the off-peak period GAF filing forty-five (45) days prior to the date on which the off-peak period GAF is to be effective.

10.0 <u>Working Capital Reconciliation Adjustments</u>

(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 in the peak period, plus a reallocation of a portion of such charges incurred in the off-peak season to serve firm load.
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, plus a reallocation of LNG boiloff costs from the off-peak season, determined by the product of the difference in the average costs of pipeline purchases during the off-peak period and the average cost of LNG boiloff in the off-peak period times the LNG boiloff volumes purchased in the off-peak period, less the cost of injections and liquefactions into storage.
ii. Non-Core Commodity Costs associated with non-core sales to which the GAF is not applied.
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 requirements in the off peak season.

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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, less the reallocation of LNG boiloff costs determined by the product of the difference in the average cost of pipeline purchases during the off-peak period and the average cost of LNG boiloff in the off-peak period times the LNG boiloff volumes purchases in the off-peak period, less the cost of injections and liquefactions into storage.

ii. Non-core commodity costs associated with non-core sales to which the GAF is not applied, as defined in Section 6.0.

iii. Carrying charges.

(2) The peak and off-peak, demand, and commodity working capital requirements shall be calculated by applying the Company's days lag divided by 365 days to the working capital costs allowable per each formula.

(3) The peak and off-peak, demand, and commodity working capital allowances shall each be calculated by applying the Company's weighted cost of capital to each working capital requirement to calculate the respective returns on working capital. The interest portion of each working capital allowance is calculated by multiplying each working capital requirement by the weighted cost of debt. This portion is tax deductible. The return on each working capital less the interest portion of each working capital is then divided by one minus the tax rate. This figure plus the interest calculated above equals the working capital allowance for each.

(4) Calculation of the Reconciliation Adjustments

Accounts 175.520, 175.521, 175.501, and 175.500 contain the accumulated difference between working capital allowance revenues and the actual monthly working capital allowance costs as calculated from actual monthly costs for the Company plus Carrying Charges as defined in Section 5.0.

The components of the Company's purchased gas days lag shall be recalculated each season based upon actual CGAC seasonal data. This recalculated days lag will be used in the

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calculation of the working capital allowance revenues. Each account shall contain the accumulated difference between revenues toward the working capital allowance and the working capital allowance.

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 175.520 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 175.521 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 (175.501) 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 (175.500) balance as of the off-peak reconciliation date designated by the Company.

11.0 Application of GAF to Bills

The Company will employ the GAFs as follows: The peak season rates to each Load Factor class shall be calculated by adding the respective peak demand factor and the peak commodity factor. The off-peak season rates to each Load Factor class shall be calculated by adding the respective off-peak demand factor and the off-peak commodity factor. The GAFs ($/therm) for each Load Factor class for each season shall be calculated to the nearest one-hundredth of a cent per therm ($0.0001) and will be applied to each customer's monthly sales volume within the corresponding Load Factor class.

12.0 Information Required to be Filed with the Department

Information pertaining to the cost of gas adjustment shall be filed with the Department in accordance with the Company's standardized forms approved by the Department. Required filings include a semiannual GAF filing, which shall be submitted to the Department at least 45 days before the date on which a new GAF is to be effective.

Additionally the Company shall file with the Department a complete list of all gas costs claimed as recoverable through the CGAC over the previous season, as included in the seasonal reconciliation. This information shall be submitted with each seasonal GAF filing, along with complete documentation of the reconciliation adjustment calculations.

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13.0 Other Rules

(1) The Department 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, at any time, file with the Department an amended GAF. An amended GAF filing must be submitted seven business days before the first billing cycle of the month in which it is proposed to take effect.
(3) The Department may, at any time, require the Company to file an amended GAF.
(4) The operation of the cost of gas adjustment clause is subject to all powers of suspension and investigation vested in the Department by G.L. c.164.

14.0 Customer Notification

The Company will design a notice, which explains in simple terms to customers the GAF, the nature of any change in the GAF and the manner in which the GAF is applied to the bill. The Company will submit this notice for approval at the time of each GAF filing.

Upon approval by the Department, the Company must immediately distribute these notices to all of its customers either through direct mail or with its bills.

15.0 Bad Debt Allowance

15.1 Purpose

The purpose of this provision is to establish a procedure that, subject to the jurisdiction of the Department, allows Eversource to adjust, on a semi-annual basis, its rates for the recovery of Bad Debt Expense

15.2 Bad Debt (BDF) Formula

The Bad Debt (BDF) Formula shall be computed on an annual basis using forecasts of bad debt expense associated with gas costs, gas costs, carrying charges, sales volumes, and a working capital allowance. 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. The forecast of bad debt expense associated with gas costs shall be based on the Company's projected gas costs in the respective seasonal GAF filings and the percent of net write-offs to total firm revenues as determined in the Company's last rate proceeding.

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The calculation at the beginning of the off-peak season shall be on a projected annual basis. The calculation at the beginning of the peak season will update the remaining months of the projected annual period with actual bad debt expenses and collections for the available months and projections for the remaining months of the annual period. The following formula shall be used to calculate the Bad Debt factor.

$$BDF = \frac{BD + RAbd + WCbd}{A{:}Sales}$$

and:

$$WCbd = \frac{(WCAbd * CC) - (WCAbd * CD)}{(1 - TR)} + (WCAbd * CD)$$

and:

$$WCAbd = BD * (DL/365)$$

Where:

A:Sales	Forecast annual sales volumes.
BD	Forecast Bad Debt Expense as defined in Section 5.0; derived by multiplying the forecast annual gas costs by the percent of annual net write-offs to annual firm revenues.
CC	Weighted cost of capital as defined in Section 5.0.
CD	Weighted cost of debt as defined in Section 5.0.
DL	Number of days lag from the purchase of gas from suppliers to the payment by customers.
RAbd	Bad Debt Expense reconciliation adjustment - Account 175.660 balance.
TR	Combined Tax rate as defined in Section 5.0.
WCAbd	Bad Debt allowable for working capital application defined as the costs associated with the gas cost portion of bad debt incurred by the Company to serve firm load.
WCbd	Working Capital Allowance associated with the gas portion of bad debt for the period including the Pretax Weighted Cost of Capital as defined in Section 5.0.

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15.3 Bad Debt Reconciliation Adjustment

Account 175.660 shall contain the accumulated difference between the annual revenues toward bad debt, as calculated by multiplying the bad debt factors (BDF) times monthly firm sales volumes, and the annual allowed Bad Debt expenses, allowed working capital on Bad Debt and Carrying Charges as defined in Section 5.0.

An annual bad debt reconciliation adjustment (RAbd - as defined in Section 15.2) shall be determined for use in the bad debt factor calculations incorporating the bad debt working capital account (175.660) balance as of the reconciliation date designated by the Company.

(a) Costs Allowable per Bad Debt Formula shall be:

i. Un-collectable gas costs incurred by the Company to serve firm sales load, as determined by deriving the portion of actual net write-offs associated with gas cost collections.
ii. Account 175.660 – Bad Debt, Carrying Charges.
iii. Working Capital Gas Costs Allowable per Bad Debt Formula, which shall be charges associated with bad debt incurred by the Company to serve firm sales load and applied to the working capital formula.