Cost of Gas Adjustment Clause

Section

6.01 Purpose

The purpose of this Cost of Gas Adjustment Clause ("CGAC") is to establish a procedure that allows Boston Gas Company d/b/a National Grid (the "Company"), subject to the jurisdiction of the Department of Public Utilities (the "Department"), to uniformly adjust, on a semiannual basis, its rates for firm gas sales in order to recover costs of gas supplies, along with any taxes applicable to those supplies, pipeline capacity, the costs of local production and storage, gas acquisition expense, bad debt expense, and the costs of purchased gas working capital to reflect the seasonal variation in the cost of gas, and to credit to firm sales customers all supplier refunds, capacity credits from margins associated with capacity release, off system sales, and the release of downstream assets; and all commodity credits from interruptible sales, non-firm gas sales, and the assignment of Canadian gas supply contracts.

6.02 Applicability

This CGAC shall be applicable to all firm sales made by the Company unless otherwise designated. The application of the clause may, for good cause shown, be modified by the Department. See Section 6.12, "Other Rules."

6.03 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, gas acquisition expense, bad debt expense, gas used in Company operations, 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 filing outlined in Section 6.11. The Company may not include in the CGAC costs associated with incremental supply procured to ensure there is sufficient capacity available to meet system hourly flow requirements, which are recovered pursuant to the Company's Local Distribution Adjustment Clause Tariff M.D.P.U. No. 60, as amended from time to time.

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6.04 Effective Date of Gas Adjustment Factor

The date on which the seasonal Gas Adjustment Factors ("GAF") become effective will be the first day of each season as designated by the Company. Unless otherwise notified by the Department, the Company shall submit GAF filings as outlined in Section 6.11 of this clause at least 45 days before they are to take effect. To the extent that the Company files an interim GAF filing in accordance with the provisions of Section 6.12, the GAF will become effective on the first day of the next month as designated by the Company.

6.05 Definitions

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

(1) Bad Debt Expense is the uncollectible expense attributed to the Company's gas costs.

(2) Capacity Release Credit is the economic benefit derived from sales of upstream capacity that will be credited to firm sales customers. Ninety (90) percent of capacity release credits will be credited to firm sales customers.

(3) Combined Tax Rate is the combined state and federal income tax rate.

(4) Commodity Credits are the commodity cost of gas assigned to non-firm sales to which the GAF is not applied. Non-firm sales include sales made under interruptible contracts and non-firm contracts.

(5) Deliverability Percent is the percent of downstream production and storage service from Company-owned facilities (i.e., Liquefied Natural Gas ("LNG") and Liquefied Petroleum Gas ("LPG")) used for system deliverability as determined by the Department from time to time.

(6) Economic Benefit is the difference between the revenue and the marginal cost determined to service non-firm customers.

(7) Gas Acquisition Expenses include the costs incurred by the Company in its most recent test year to procure and transport gas supplies to the Company's city gate.

(8) Interruptible Sales Credit is the economic benefit derived from interruptible sales that will be credited to firm sales customers. Ninety (90) percent of interruptible sales credits will be credited to firm sales customers.

(9) Inventory Finance Charges are as billed in each Peak Season for annual charges. The total shall represent an accumulation of the projected charges as calculated using the monthly average of financed inventory at the existing (or anticipated) financing rate through a trust or other financing vehicle.

(10) Local Production and Storage Costs include the costs of providing storage service from Company-owned storage (i.e., LNG and LPG) as approved by the Department.

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(11) Maximum Daily Contract Quantity ("MDCQ") is determined annually for each season. The calculation uses billing histories for the previous peak and off-peak seasons. The number of therms used in each billing period will be the sum of the highest daily uses for each month.

(12) Number of Days Lag is the number of days lag to calculate the purchased gas working capital requirement.

(13) Off-Peak Commodity is, unless otherwise approved by the Department, the gas supplies procured by the Company to serve firm load in the Off-Peak Season.

(14) Off-Peak Demand is, unless otherwise approved by the Department, the storage and transmission capacity procured by the Company to serve firm load in the Off-Peak Season.

(15) Off-Peak Period Reconciliation Date for the Company will be coincident to the next off-peak period GAF filing, 45 days prior to the next off-peak period effective date.

(16) Off-Peak Season for the Company is the summer season of May 1 through October 31.

(17) Other Capacity Credits are the Economic Benefit derived from non-firm transactions to which the GAF is not applied, including non-firm contracts, off-system sales, and sales for resale. Ninety (90) percent of other capacity credits earned will be credited to firm sales customers.

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

(19) Peak Demand is, unless otherwise approved by the Department, the storage and transmission capacity procured by the Company to serve firm load in the Peak Season.

(20) Peak Period Reconciliation Date for the Company will be coincident to the next peak period GAF filing, 45 days prior to the next peak period effective date.

(21) Peak Season for the Company is the winter heating season of November 1 through April 30.

(22) Proportional Responsibility Allocator is the percentage allocator for peak period capacity charges as determined in the Company's most recent base distribution rate case for total firm sales load.

(23) Purchased Gas Working Capital is the allowable working capital derived from peak and off-peak gas costs.

(24) Weighted Cost of Capital is the weighted cost of capital as set in the Company's most recent base distribution rate case.

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

(26) Weighted Cost of Equity is the weighted cost of equity as set in the Company's most recent base distribution rate case.

6.06 Gas Adjustment Factor Formula:

Peak Formula:

The Peak GAF (excluding that applicable to General Service Rates G-44B and G-54B) shall be comprised of a peak demand factor, a peak commodity factor, a peak bad debt factor, a peak gas acquisition expense factor, and a peak working capital factor calculated at the beginning of the Peak Season according to the following formula:

$$GAFp = DFp + CFp + BDFp + GAEFp + WCFp$$

The Peak GAF's applicable to General Service Rates G-44B and G-54B shall be comprised of a peak demand factor to be applied to the customer's Maximum Daily Contract Quantity and a peak commodity factor, a peak bad debt factor, a peak gas acquisition expense factor, and a peak working capital factor to be applied to the customer's monthly consumption, calculated at the beginning of the Peak Season according to the following formulae:

$$GAF1 = DFpc$$
$$GAF2 = CFp + BDFp + GAEFp + WCFp$$

Pursuant to the Department's ruling in D.P.U. 20-120, the Company has the right to petition the Department for a one-time adjustment to its Local Production and Storage Costs during the period October 1, 2022 through October 1, 2025.

Peak Demand Factor (DFp) Formula:

$$DFp = \frac{Dp - CCp + RApd - RApcc}{P{:}Sales} - R1d - R2d$$

and:

$$Dp = Sum{:}PD + (PS \times PSP) + (Sum{:}AD \times PR)$$

and:

$$CCp = Sum{:}\ CM \times PR$$

and, if the Company proposes and the Department approves an adjustment to the Local Production and Storage Cost Allowance, then:

$$PS_C = PS_{PY} + PSAdj$$

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with

PS_{PY} = Local Production and Storage Cost Allowance approved by the Department in the Company's most recent base distribution rate case

$PSAdj$ = $(RB_{PS} \times PTRR) + DEPR_{PS} + O\&MAdj + PT_{PS}$

and

$O\&MAdj$ = $O\&M_{PY} \times PBR\%$

Where:

Dp: Demand Charges allocated to the peak period as defined in Section 6.05.

CCp: Capacity Credits allocated to the peak period as defined in Section 6.05

RApd: Peak demand charge reconciliation adjustment - Account 175.20 balance, inclusive of the associated Account 175.20 interest, as outlined in section 6.08.

RApcc: Peak Capacity Credit Reconciliation Adjustment - Account 175.56 balance, inclusive of the associated Account 175.56 interest, as outlined in section 6.08.

P:Sales: Forecasted billed sales volumes associated with the peak period.

PD: Demand Charges billed to the Company for peak period capacity as defined in section 6.05.

AD: Demand Charges billed to the Company for year round capacity as defined in section 6.05.

PS: Local Production and Storage Costs as defined in section 6.05. Once approved by the Department, the Local Production and Storage Cost Allowance remains fixed until a change is approved by the Department.

PSP: Percent of Local Production and Storage costs not used for distribution system deliverability, as defined in section 6.05.

PR: Proportional Responsibility allocator as defined in section 6.05.

CM: Economic Benefit derived from non-core sales as defined in section 6.05.

R1d, R2d Per unit supplier refunds from pipeline demand charges. The per-unit supplier refunds associated with refund program credits derived from Account 242.1, "Undistributed Gas Suppliers' Refunds". See section 6.07.

CPS: Cumulative Production and Storage-related capital investment recorded as in-service since March 31, 2020, the date of end of the test year in the Company's most recent base distribution rate case.

RB_{PS}: Rate Base associated with the Cumulative Production and Storage-related capital investment (CPS) as of the end of the prior calendar year.

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PTRR: The pre-tax rate of return shall be the after-tax weighted average cost of capital established by the Department in the Company's most recent base distribution rate case, adjusted to a pre-tax basis by using currently effective federal and state income tax rates applicable to the period of the eligible Production and Storage investment.

$DEPR_{PS}$: The annual depreciation expense associated with the Cumulative Production and Storage-related capital investment (CPS) as of the end of the prior calendar year.

O&M: The annual recovery of LNG-related O&M expenses included in the Local Production and Storage Cost Allowance as approved by the Department.

O&MAdj: The adjustment for LNG-related O&M expenses applicable for the year in which the PSAdj will take effect. The Company shall annually adjust the O&M amount defined above by each year's PBR% defined below, and for a year in which a PSAdj will go into effect, the applicable O&M adjustment shall be included in the PSAdj.

PBR%: The annual Peformance-Based Ratemaking ("PBR") percentage increase applicable for the year in which the PSAdj will take effect.

PSAdj: The adjustment to the Local Production and Storage Cost Allowance to recover the Company's investment in its LNG facilities and O&M expense.

PT_{PS}: The property taxes calculated based on the cumulative net Production and Storage-related capital investment (CPS) at the end of the prior calendar year multiplied by the property tax rate approved by the Department in the Company's most recent base distribution rate case.

PY: Prior Year.

C: Current Year.

<u>Peak Demand Factor (DFpci) Formula applicable to G-44B and G-54B:</u>

$$DFpc = \frac{Dp - CCp + RApd - RApcc}{P{:}MDCQ} - R1d - R2d$$

and:

$$CCp = \text{Sum: } CM \times PR$$

Where:

Dp: Demand Charges allocated to the peak period as defined in Section 6.05 and as determined for DFp above.

CCp: Capacity Credits allocated to the peak period as defined in Section 6.05.

PR: Proportional Responsibility Allocator as defined in section 6.05.

CM: Economic Benefit derived from non-core sales as defined in section 6.05.

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RApd: Peak demand charge reconciliation adjustment - Account 175.20 balance, inclusive of the associated Account 175.20 interest, as outlined in section 6.08 and as determined for DFp above.

RApcc: Peak capacity credit reconciliation adjustment - Account 175.56 balance, inclusive of the associated Account 175.56 interest, as outlined in section 6.08 and as determined for DFp above.

P:MDCQ: Maximum Daily Contract Quantity for the peak period as defined in Section 6.05.

R1d, R2d: Per unit supplier refunds from pipeline demand charges. The per-unit supplier refunds associated with refund program credits derived from Account 242.1, "Undistributed Gas Suppliers' Refunds". See section 6.07.

<u>Peak Commodity Factor (CF) Formula:</u>

$$CFp = \frac{Cp - COMp + I + RApc}{P{:}Sales} - R1c - R2c$$

and:

$$Cp = Sum{:}PC + BOao - INJ - LIQ$$

and:

$$BOao = BOop - (BOvol \times (TPop \div TPvolop))$$

Where:

Cp: Commodity Charges allocated to the peak period as defined in Section 6.05.

COMp: Commodity Credits allocated to the peak period as defined in Section 6.05.

I: Inventory Finance Charges as defined in Section 6.05.

RApc: Peak commodity charge reconciliation adjustment - Account 175.60 balance, inclusive of the associated Account 175.60 interest, as outlined in section 6.08.

P:Sales: Forecasted sales volumes associated with the peak period.

PC: Commodity charges assigned to the peak period as defined in section 6.05.

INJ: Injections into storage.

LIQ: Liquefaction into storage.

BOao: LNG Boil-off allocation for the off-peak period.

BOop: LNG Boil-off charges for the off-peak period.

BOvol: LNG Boil-off volumes in the off-peak period

TPop: Total pipeline commodity charges for the off-peak period.

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TPvolop: Total pipeline commodity volumes for the off-peak period.

R1c, R2c: Per unit supplier refunds from pipeline commodity charges- The per-unit supplier refunds associated with refund program credits derived from Account 242.2, "Undistributed Gas Suppliers' Refunds". See section 6.07.

<u>Peak Bad Debt Formula:</u>

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

and:

$$WCFpb = \frac{\left(\frac{(WCApb \times CC) - (WCApb \times CD)}{(1 - TR)}\right) + (WCApb \times CD) + WCRpb}{P{:}Sales}$$

and:

$$WCApb = BDp \times (DL \div 365)$$

Where:

BDp: Peak Bad Debt Expense as defined in Section 6.05.

RApb: Peak Bad Debt Expense reconciliation adjustment - Account 175.52 balance.

P: Sales: Peak forecasted sales volumes.

WCFpb: Working Capital allowable per peak sales volume associated with bad debt allocated to the peak period as defined in Section 6.09.

WCApb: Peak Bad Debt allowable for working capital application as defined in section 6.09.

CC: Weighted Cost of Capital as defined in section 6.05.

CD: Weighted Cost of Debt as defined in section 6.05.

TR: Combined Tax Rate as defined in section 6.05.

WCRpb: Working Capital reconciliation adjustment associated with peak bad debt - Account 142.52 balance as outlined in section 6.09.

DL: Number of Days Lag from the purchase of gas from suppliers to the payment by customers.

<u>Peak Gas Acquisition Expense Factor</u>:

$$GAEFp = \frac{GAEp + RApo}{P{:}Sales}$$

Where

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GAEp: Gas acquisition expenses associated with the procurement and transportation of commodity supplies in the peak period as defined in section 6.05.

P:Sales: Peak forecasted sales volumes.

RApo: Peak Gas Acquisition Expense reconciliation adjustment - Account 175.50 balance.

Peak Working Capital Factor:

$$WCFp = \frac{\frac{(WCAp \times CC) - (WCAp \times CD)}{(1 - TR)} + (WCAp \times CD) + WCRp}{P{:}Sales}$$

and:

$$WCAp = (Dp + Cp + GAEp) \times (DL \div 365)$$

and:

$$Dp = \frac{Dp \times P{:}Sales}{P{:}Sales}$$

and:

$$Cp = \frac{Cp \times P{:}Sales}{P{:}Sales}$$

Where:

Dp: Demand Charges allocated to the peak period as defined in Section 6.05.

Cp: Commodity Charges allocated to the peak period as defined in Section 6.05.

P:Sales: Forecasted billed sales volumes associated with the peak period.

WCFp: Working Capital allowable per billed peak through put volume associated with demand and commodity charges allocated to the peak period as defined in Section 6.09.

WCAp: Demand and commodity charges allowable for working capital application as defined in section 6.09.

CC: Weighted Cost of Capital as defined in section 6.05.

CD: Weighted Cost of Debt as defined in section 6.05.

TR: Combined Tax Rate as defined in section 6.05.

WCRp: Working Capital reconciliation adjustment associated with peak charges – (Account 142.20 balance) as outlined in section 6.09.

DL: Number of Days Lag from the purchase of gas from suppliers to the payment by customers.

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GAEp: Gas Acquisition Expenses associated with the procurement and transportation of commodity supplies in the peak period as defined in section 6.05.

<u>Off-Peak GAF Formula</u>:

The Off-Peak GAF (excluding that applicable to General Service Rates G-44B and G-54B) shall be comprised of an off-peak demand factor, an off-peak commodity factor, an off peak bad debt factor, an off peak gas acquisition expense factor, and an off peak working capital factor calculated at the beginning of the Off-Peak Season according to the following formula:

GAFop = DFop + CFop + BDFop + GAEFop + WCFop

The Off-Peak GAFs applicable to General Service Rates G-44B and G-54B shall be comprised of an off-peak demand factor to be applied to the customer's off-peak Maximum Daily Contract Quantity and an off-peak commodity factor, an off-peak bad debt factor, an off-peak gas acquisition expense factor, and an off-peak working capital factor to be applied to the customer's monthly consumption, calculated at the beginning of the Off-Peak Season according to the following formulae:

GAF1op = DFopc

GAF2op = CFop + BDFop + GAEFop + WCFop

<u>Off-Peak Demand Factor (DFop) Formula:</u>

$$\text{DFop} = \frac{\text{Dop - CCop + RAopd - RAopcc}}{\text{OP:Sales}} - \text{R1d} - \text{R2d}$$

and:

Dop = Sum: AD x (1 - PR)

and:

CCop = Sum: CM x (1- PR)

Where:

Dop: Demand charges allocated to the off-peak period as defined in section 6.05.

CCop: Capacity Credits allocated to the off peak period as defined in Section 6.05.

PR: Proportional Responsibility Allocator as defined in section 6.05.

CM: Economic benefit derived from non-core sales as defined in section 6.05.

RAopd: Off-peak demand charge reconciliation adjustment - Account 175.40 balance, inclusive of the associated Account 175.40 interest, as outlined in section 6.08.

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RAopcc: Off-peak capacity credit reconciliation adjustment - Account 175.58 balance, inclusive of the associated Account 175.58 interest, as outlined in section 6.08.

OP:Sales: Forecasted billed sales volumes associated with the off-peak period.

AD: Demand charges billed to the Company for year round capacity as defined in section 6.05.

R1d, R2d: Per unit supplier refunds from pipeline demand charges. The per-unit supplier refunds associated with refund program credits derived from Account 242.1, “Undistributed Gas Suppliers’ Refunds.” See section 6.07.

<u>Off-Peak Demand Factor (DFopci) Formula applicable to G-44B and G-54B:</u>

$$DFopc = \frac{Dop - CCop + RAopd - RAopcc}{OP{:}MDCQ} - R1d - R2d$$

and:

$$CCop = \text{Sum: } CM \times (1 - PR)$$

Where:

Dop: Demand Charges allocated to the off-peak period as defined in Section 6.05 and as determined for DFop above.

CCop: Capacity Credits allocated to the off peak period as defined in Section 6.05.

PR: Proportional Responsibility allocator as defined in section 6.05.

CM: Economic benefit derived from non-core sales as defined in section 6.05.

RAopd: Off-Peak demand charge reconciliation adjustment - Account 175.20 balance, inclusive of the associated Account 175.40 interest, as outlined in section 6.08 and as determined for DFop above.

RAopcc: Off-Peak capacity credit reconciliation adjustment - Account 175.58 balance, inclusive of the associated Account 175.58 interest, as outlined in section 6.08 and as determined for DFop above.

OP:MDCQ: Maximum Daily Contract Quantity for the off-peak period as defined in Section 6.05.

R1d, R2d: Per unit supplier refunds from pipeline demand charges. The per-unit supplier refunds associated with refund program credits derived from Account 242.1, “Undistributed Gas Suppliers’ Refunds.” See section 6.07.

<u>Off-Peak Commodity Factor (CFop) Formula:</u>

$$CFop = \frac{Cop - COMop + RAopc}{OP{:}Sales} - R1c - R2c$$

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and:

$$Cop = \text{Sum: } OPC - BOao - INJ - LIQ$$

and:

$$BOao = BOop - (BOvol \times (TPop \div TPvolop))$$

Where:

Cop: Commodity Charges billed to the off-peak period as defined in Section 6.05.

COMop: Commodity Credits allocated to the off-peak period as defined in Section 6.05.

RAopc: Off peak commodity charge reconciliation adjustment - Account 175.80 balance, inclusive of the associated Account 175.80 interest, as outlined in section 6.08.

OP:Sales: Forecasted sales volumes associated with the off-peak period.

OPC: Commodity charges assigned to the off-peak period as defined in section 6.05.

BOao: LNG Boil-off allocation for the off-peak period.

BOop: LNG Boil-off charges for the off-peak period.

BOvol: LNG Boil-off volumes in the off-peak period.

INJ: Injections into storage.

LIQ: Liquefaction into storage.

TPop: Total pipeline commodity purchase charges for the off-peak period.

TPvolop: Total pipeline purchase volumes for the off-peak period.

R1c, R2c: Per unit supplier refunds from pipeline commodity charges. The per-unit supplier refunds associated with refund program credits derived from Account 242.2, “Undistributed Gas Suppliers’ Refunds.” See section 6.07.

Off Peak Bad Debt Formula:

$$BDFop = \frac{BDop + RAopb}{OP\text{: }Sales} + WCFopb$$

and:

$$WCFopb = \frac{\dfrac{(WCAopb \times CC) - (WCAopb \times CD)}{(1 - TR)} + (WCAopb \times CD) + WCRopb}{OP\text{:}Sales}$$

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and:

$$WCAopb = BDop \times (DL \div 365)$$

Where:

BDop:	Off Peak Bad Debt Expense as defined in Section 6.05.
RAopb:	Off Peak Bad Debt Expense reconciliation adjustment - Account 175.54 balance.
OP: Sales:	Off Peak forecasted sales volumes.
WCFopb:	Working Capital allowable per Off Peak sales volume associated with commodity charges allocated to the Off Peak period as defined in Section 6.09.
WCAopb	Bad Debt allowable for working capital application as defined in section 6.09.
CC:	Weighted Cost of Capital as defined in section 6.05.
CD:	Weighted Cost of Debt as defined in section 6.05.
TR:	Combined Tax Rate as defined in section 6.05.
WCRopb	Working Capital reconciliation adjustment associated with Off Peak bad debt - Account 142.54 balance as outlined in section 6.09.
DL:	Number of days lag from the purchase of gas from suppliers to the payment by customers.

Off Peak Gas Acquisition Expense Factor:

$$GAEFop = \frac{GAEop + RAopo}{OP:Sales}$$

Where:

GAEop:	Gas acquisition expenses associated with the procurement and transportation of commodity supplies in the Off Peak period as defined in section 6.05.
OP:Sales:	Off Peak forecasted sales volumes.
RAopo:	Off Peak Gas Acquisition Expense reconciliation adjustment - Account 175.70 balance.

Off Peak Working Capital Factor:

$$WCFop = \frac{\dfrac{(WCAop \times CC) - (WCAop \times CD)}{(1 - TR)} + (WCAop \times CD) + WCRop}{OP:Sales}$$

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and:

WCAop = (Dop + Cop + GAEop) x (DL ÷ 365)

and:

$$\text{Dop} = \frac{\text{Dop x OP:Sales}}{\text{OP:Sales}}$$

and:

$$\text{Cop} = \frac{\text{Cop x OP:Sales}}{\text{OP:Sales}}$$

Where:

Dop: Demand Charges allocated to the Off Peak period as defined in Section 6.05.

Cop: Commodity Charges allocated to the Off Peak period as defined in Section 6.05.

Dop: Demand Charges allocated to the Off Peak period as defined in Section 6.05.

Cop: Commodity Charges allocated to the Off Peak period as defined in Section 6.05.

OP:Sales: Forecasted billed sales volumes associated with the Off Peak period.

WCFop: Working Capital allowable per billed Off Peak through put volume associated with demand and commodity charges allocated to the Off Peak period as defined in Section 6.09.

WCAop: Demand and commodity charges allowable for working capital application as defined in section 6.09.

CC: Weighted Cost of Capital as defined in section 6.05.

CD: Weighted Cost of Debt as defined in section 6.05.

TR: Combined Tax Rate as defined in section 6.05.

WCRop: Working Capital reconciliation adjustment associated with Off Peak charges – (Account 142.40 balance) as outlined in section 6.09.

DL: Number of Days Lag from the purchase of gas from suppliers to the payment by customers.

GAEop: Gas Acquisition expenses associated with the procurement and transportation of commodity supplies in the Off Peak period as defined in section 6.05.

6.07 Gas Suppliers' Refunds - Accounts 242.1 and 242.2

Refunds from suppliers of capacity are credited to account 242.1, "Undistributed Purchased Capacity Refunds." Refunds from suppliers of gas and feed stocks are credited to account 242.2,

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"Undistributed Gas Suppliers' Refunds." Refunds associated with FERC Order 636 transition costs will not be credited to either 242 accounts, but will be credited directly to Account 175.46 - Transition Costs. Transfers from accounts 242.1 and 242.2 will be reflected as a credit in the semiannual calculation of the GAF to be calculated as follows:

Refund programs shall be initiated with each semiannual GAF 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 moneys received from suppliers since the previous program was initiated. Moneys to be refunded through each program 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 prime lending rate. The Company shall track and report all account 242.1 and account 242.2 activities as specified in Section 6.11.

6.08 Reconciliation Adjustments - Account 175

(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 (PD).
- ii. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load year round and allocated to the peak by applying the total firm proportional responsibility allocator for the peak period from the Company's most recent base distribution rate case (AD x PR).
- iii. Charges associated with local production and storage capacity in service to serve firm load in the Peak Season from the Company's most recent test year multiplied by the percentage allocated to sales storage service (PS x PSP).
- iv. Account 175.20 - Peak demand, interest 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, 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 (Cp).
- ii. Peak commodity credits allocated for gas costs sent out to serve non-firm customers to which the CGAC does not apply, as defined in section 6.05 (COMp).
- iii. Inventory finance charges (I).
- iv. Account 175.60 - Peak commodity, interest charges.

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

i. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load year round and allocated to the off-peak by applying the total firm proportional responsibility allocator for the off- peak period from the Company's most recent base distribution rate case (AD x (1-PR)).

ii. Account 175.40 – Off-Peak demand, interest 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, 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 purchased in the off-peak period, less the cost of injections and liquefaction into storage (Cop).

ii. Off-Peak commodity credits allocated for gas costs sent out to serve non-firm customers to which the CGAC does not apply, as defined in section 6.05 (COMp).

iii. Account 175.80 - Off-Peak commodity, interest charges.

(e) Costs Allowable Per Peak 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 Season.

ii. Account 175.52 - Peak Bad Debt, interest charges.

(f) Costs Allowable Per Off-Peak 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 Off-Peak Season.

ii. Account 175.54 - Off-Peak Bad Debt, interest charges.

(g) Credits Allowable Per Peak Capacity Credit Formula shall be:

i. Credits associated with the Economic Benefits derived from the noncore sale of gas refunded to core customers by the Company in the Peak Season.

ii. Account 175.56 - Peak Capacity Credits, interest charges.

(h) Credits Allowable Per Off-Peak Capacity Credit Formula shall be:

i. Credits associated with the economic benefits derived from the noncore sale of gas refunded to core customers by the Company in the Off-Peak Season.

ii Account 175.58 - Off-Peak Capacity Credits, interest charges.

(i) Costs Allowable Per Peak Gas Acquisition Expense Formula shall be:

i. Charges associated with gas acquisition expenses incurred to procure and transport gas supplies to serve firm load in the Peak Season from the Company's most recent test year (GAE).

ii. Account 175.50 - Peak Gas Acquisition Expenses, interest charges.

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(j) Costs Allowable Per Off-Peak Gas Acquisition Expense Formula shall be:
   i. Charges associated with gas acquisition expenses incurred to procure and transport gas supplies to serve firm load in the Off-Peak Season from the Company's most recent test year (GAE).
   ii. Account 175.70 - Off-Peak Gas Acquisition Expenses, interest charges.

(k) WACOD (Weighted Average Cost of Demand) equals the demand factor for each season (DFp and DFop) as computed in section 6.06. This figure is used as the convention for recognizing revenues toward each season's demand costs.

(l) WACCOG (Weighted Average Commodity Cost of Gas) equals the commodity factor for each season as computed in section 6.06. This figure is used as the convention for recognizing revenues toward each season's commodity costs.

(m) MDCQ demand equals the demand factor for G-44B and G-54B each season (DFpc and DFopc) as computed in section 6.06. This figure is used as the convention for recognizing revenues from G-44B and G-54B toward each season's demand costs.

(2) Calculation of the Reconciliation Adjustments

Account 175 contains the accumulated difference between gas cost revenue and the actual monthly gas costs incurred by the Company. The Company shall separate Account 175 into peak demand (Account 175.20), peak commodity (Account 175.60), off-peak demand (Account 175.40), off-peak commodity (Account 175.80), peak bad debt (Account 175.52), off-peak bad debt (Account 175.54), peak capacity credit (Account 175.56), off-peak capacity credit (Account 175.58), peak gas acquisition expense (Account 175.50), and off-peak gas acquisition expense (Account 175.70). Account 175.20 shall contain the accumulated difference between revenue toward capacity costs as calculated by multiplying the peak WACOD times monthly firm through put volumes (excluding G-44B and G-54B) summed with the peak MDCQ demand for G-44B and G-54B times the MDCQ each month and capacity costs allowable per peak demand formula. Account 175.60 shall contain the accumulated difference between revenue toward gas costs as calculated by multiplying the peak WACCOG times monthly firm sales volumes and gas costs allowed per peak commodity formula. Account 175.40 shall contain the accumulated difference between revenue toward capacity costs as calculated by multiplying the off-peak WACOD times monthly firm through put volumes (excluding G-44B and G-54B) summed with the off-peak MDCQ demand for G-44B and G-54B times the MDCQ each month throughput volumes and capacity costs allowable per off-peak demand formula. Account 175.80 shall contain the accumulated difference between revenue toward gas costs as calculated by multiplying the off-peak WACCOG times monthly firm sales volumes and gas costs allowed per off-peak commodity formula.

Account 175.52 shall contain the accumulated difference between revenue toward bad debt as calculated by multiplying the peak bad debt factor times monthly firm sales volumes and bad debt allowed per peak bad debt formula. Account 175.54 shall contain the accumulated difference between revenue toward bad debt as calculated by multiplying

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the off-peak bad debt factor times monthly firm sales volumes and bad debt allowed per off-peak bad debt formula.

Account 175.50 shall contain the accumulated difference between revenue toward gas acquisition expense as calculated by multiplying the peak gas acquisition expense factor times monthly firm sales volumes and gas acquisition expense allowed per peak gas acquisition formula. Account 175.70 shall contain the accumulated difference between revenue toward gas acquisition expense as calculated by multiplying the off-peak gas acquisition expense factor times monthly firm sales volumes and gas acquisition expense allowed per off-peak other gas supply formula.

The peak demand reconciliation adjustment (RApd - as defined in Section 6.06) shall be determined for use in the peak GAF calculations incorporating the peak demand account (175.20) balance as of the peak reconciliation date as designated by the Company. The peak commodity reconciliation adjustment (RApc - as defined in Section 6.06) shall be determined for use in the peak GAF calculations incorporating the peak commodity account (175.60) balance as of the peak reconciliation date as designated by the Company. The off-peak demand reconciliation adjustment (RAopd - as defined in Section 6.06) shall be determined for use in the off-peak GAF calculations incorporating the off-peak demand account (175.40) balance as of the off-peak reconciliation date as designated by the Company. The off-peak commodity reconciliation adjustment (RAopc - as defined in Section 6.06) shall be determined for use in the off-peak GAF calculations incorporating the off-peak commodity account (175.80) balance as of the off-peak reconciliation date as designated by the Company.

The peak bad debt reconciliation adjustment (RApb - as defined in Section 6.06) shall be determined for use in the peak GAF calculations incorporating the peak bad debt account (175.52) balance as of the peak reconciliation date as designated by the Company. The off-peak bad debt reconciliation adjustment (RAopb - as defined in Section 6.06) shall be determined for use in the off-peak GAF calculations incorporating the off-peak bad debt account (175.54) balance as of the off-peak reconciliation date as designated by the Company. The peak capacity reconciliation adjustment (RApcc - as defined in Section 6.06) shall be determined for use in the peak GAF calculations incorporating the peak capacity credit account (175.56) balance as of the peak reconciliation date as designated by the Company. The off-peak capacity reconciliation adjustment (RAopcc - as defined in Section 6.06) shall be determined for use in the off-peak GAF calculations incorporating the off-peak capacity account (175.58) balance as of the off-peak reconciliation date as designated by the Company. The peak gas acquisition reconciliation adjustment (RApo - as defined in Section 6.06) shall be determined for use in the peak GAF calculations incorporating the peak gas acquisition account (175.50) balance as of the peak reconciliation date as designated by the Company. The off-peak gas acquisition reconciliation adjustment (RAopo - as defined in Section 6.06) shall be determined for use in the off-peak GAF calculations incorporating the off-peak gas acquisition account (175.70) balance as of the off-peak reconciliation date as designated by the Company.

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6.09 Reconciliation Adjustments - Account 142 Working Capital

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

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

i. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load in the Peak Season (PD).

ii. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load year round and allocated to the peak by applying the total firm proportional responsibility allocator for the peak period from the Company's most recent base distribution rate case (AD x PR).

iii. Charges associated with local production and storage capacity in service to serve firm load in the Peak Season as approved by the Department times the percent allocated to sales storage service (PS x PSP).

iv. 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.

v. Charges associated with gas acquisition expenses incurred to procure and transport gas supplies to serve firm load in the Peak Season from the Company's most recent test year (GAEp).

vi. Charges associated with capacity credits refunded by the Company to serve firm load in the peak period.

vii. Account 142.20 interest charges.

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

i. Charges associated with upstream storage and transmission capacity procured by the Company to serve firm load year round and allocated to the off-peak by applying the total firm proportional responsibility allocator for the off-peak period from the Company's most recent base distribution rate case (Dop).

ii. 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

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cost of pipeline purchases during the off-peak period and the average cost of LNG boiloff in the off-peak period.

iii. Charges associated with gas acquisition expenses incurred to procure and transport gas supplies to serve firm load in the Off-Peak Season from the Company's most recent test year (GAEop).

iv. Charges associated with capacity credits refunded by the Company to serve firm load in the off peak period.

v. Account 142.40 interest charges.

(c) Working Capital Gas Costs Allowable Per Peak Bad Debt Formula shall be:

i. Charges associated with bad debt incurred by the Company to serve firm load in the peak period.

ii. Account 142.52 interest charges.

(d) Working Capital Gas Costs Allowable Per Off-Peak Bad Debt Formula shall be:

i. Charges associated with bad debt incurred by the Company to serve firm load in the off-peak period.

ii. Account 142.54 interest charges.

(2) The peak and off-peak gas cost and bad debt cost 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 defined in sections (a), (b), (c), and (d).

(3) The peak and off-peak gas cost and bad debt working capital allowances shall each be calculated by applying the Company's weighted cost of 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 Company's weighted cost of debt. 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 142.20, 142.40, 142.52, and 142.54 contain the accumulated difference between working capital allowance revenue and the actual monthly working capital allowance costs as calculated from actual monthly costs for the Company. 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 calculation of the working capital allowance revenue. Each Account 142 shall contain the accumulated difference between revenues toward the working capital allowance and the working capital allowance.

A peak working capital reconciliation adjustment (WCRp - as defined in Section 6.06) shall be determined for use in the peak factor calculations incorporating the peak working capital account (142.20) balance as of the peak reconciliation date designated by the Company. An off-peak working capital reconciliation adjustment (WCRop - as defined in Section 6.06) shall be determined for use in the off-peak factor calculations incorporating

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the off-peak working capital account (142.40) balance as of the off-peak reconciliation date designated by the Company.

A peak bad debt working capital reconciliation adjustment (WCRpb - as defined in Section 6.06) shall be determined for use in the peak bad debt factor calculations incorporating the peak bad debt working capital account (142.52) balance as of the peak reconciliation date designated by the Company. An off-peak bad debt working capital reconciliation adjustment (WCRopb - as defined in Section 6.06) shall be determined for use in the off-peak bad debt factor calculations incorporating the off-peak bad debt working capital account (142.54) balance as of the off-peak reconciliation date designated by the Company.

6.10 Application of GAF to Bills

The Company will employ the GAFs as follows:

(1) For Sales Customers (excluding G-44B and G-54B) - The Peak Season rates to customers shall be calculated by adding the peak demand factor, the peak commodity factor, the peak working capital factor, the peak gas acquisition expense factor, and the peak bad debt factor. The Off-Peak Season rates to customers shall be calculated by adding the off-peak demand factor, the off-peak commodity factor, the off peak working capital factor, the off peak gas acquisition expense factor, and the off peak bad debt factor. The seasonal GAFs ($/therm) shall be calculated to the nearest hundredth of a cent per unit and will be applied to each customer's monthly sales volumes.

(2) For General Service Rates G-44B and G-54B customers - The Peak Season demand factor will be applied monthly to each customer's peak Maximum Daily Contract Quantity. The Peak Season volumetric factor shall equal the sum of the peak commodity factor, the peak working capital factor, the peak gas acquisition expense factor, and the peak bad debt factor. The Off-Peak Season demand factor will be applied monthly to each customer's off-peak Maximum Daily Contract Quantity. The Off-Peak Season volumetric factor shall equal the sum of the off-peak commodity factor, the off-peak working capital factor, the off-peak gas acquisition expense factor, and the off-peak bad debt factor. The volumetric factor will be applied to each customer's monthly sales volumes. The seasonal GAFs ($/therm) shall be calculated to the nearest hundredth of a cent per unit.

6.11 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 standardized forms approved by the Department. Required filings include a monthly report which shall be submitted to the Department on the twentieth of each month, and 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 by (sub)account of all gas costs claimed as recoverable through the CGAC over the previous season, as included in the

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seasonal reconciliation. This information shall be submitted with each seasonal GAF filing, along with complete documentation of the reconciliation adjustment calculations.

Additionally, in the year in which the Company petitions the Department for an adjustment to its Local Production and Storage Allowance, the Company shall notify the Department in writing by May 1 of its intention to make a filing during that year; and file with the Department by June 15 testimony and relevant exhibits, including, but not limited to,

(i) Capital project details summary sheet and index;
(ii) Calendar year charges to in-service projects;
(iii) Project documentation including a project title page, project authorization, and project authorization detail form supporting the LNG investment placed into service since March 31, 2020 through the end of the prior calendar year,
(iv) Closure reports;
(v) Variance analysis, where applicable;
(vi) Blanket authorizations;
(vii) Summary list of invoices and related cost per project; and
(viii) Variance analysis on calendar year charages to in-service projects, where applicable.

For each project, the Company shall also provide a detailed justification and alternatives anslyses for why a full replacement was necessary instead of a less expensive strategy. The Company shall also calculate the revenue requirement associated with the LNG investment to adjust the then-current Local Production and Storage Allowance, with the updated Local Production and Storage Allowance to be recovered beginning with the Company's subsequent peak GAF.

6.12 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 (7) 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 CGAC is subject to all powers of suspension and investigation vested in the Department by G.L. c. 164.

(5) Pursuant to the Department's directives in Cost of Gas Adjustment Clause, D.T.E. 01-49-A (October 9, 2001), the Company will file an amended GAF when it is determined that the projected deferred gas cost balance at the end of the season exceeds the projected gas costs by five (5) percent.

6.13 Customer Notification

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The Company will notify customers in simple terms of changes to the GAF, including the nature of the change and the manner in which the GAF is applied to the bill. In the absence of a standard format, 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.

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AMENDMENTS TO UNIFORM SYSTEM OF ACCOUNTS FOR GAS COMPANIES

175.20 Peak Demand Reconciliation Adjustment for CGAC
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 Adjustment Clause, 220 C.M.R. 6.09.

175.40 Off-Peak Demand Reconciliation Adjustment for CGAC
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 be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.09.

175.50 Peak Gas Acquisition Expense Reconciliation Adjustment for CGAC
This account shall be used to record the cumulative difference between peak gas acquisition expense revenues and peak gas acquisition expense costs. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.09.

175.52 Peak Bad Debt Reconciliation Adjustment for CGAC
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 Adjustment Clause, 220 C.M.R. 6.09.

175.54 Off-Peak Bad Debt Reconciliation Adjustment for CGAC
This account shall be used to record the cumulative difference between off-peak bad debt revenues and off-peak bad debt costs. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.09.

175.56 Peak Capacity Credit Reconciliation Adjustment for CGAC
This account shall be used to record the cumulative difference between peak capacity credits refunds and peak capacity credits allowed. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.09.

175.58 Off-Peak Capacity Credit Reconciliation Adjustment for CGAC
This account shall be used to record the cumulative difference between off-peak capacity credits refunds and off-peak capacity credits allowed. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.09.

175.60 Peak Commodity Reconciliation Adjustment for CGAC
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 Adjustment Clause, 220 C.M.R. 6.09.

175.70 Off-Peak Gas Acquisition Expense Reconciliation Adjustment for CGAC
This account shall be used to record the cumulative difference between off-peak gas acquisition expense revenues and off-peak gas acquisition expense costs. Entries to this

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account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.09.

175.80 Off-Peak Commodity Reconciliation Adjustment for CGAC
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 Adjustment Clause, 220 C.M.R. 6.09.

142.20 Peak Gas Cost Working Capital Allowance Reconciliation Adjustment for CGAC
This account shall be used to record the cumulative difference between peak gas cost working capital allowance revenues and peak gas cost working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.10.

142.40 Off-Peak Gas Cost Working Capital Allowance Reconciliation Adjustment for CGAC
This account shall be used to record the cumulative difference between off-peak gas cost working capital allowance revenues and off-peak gas cost working capital allowance. Entries to this account shall be determined as outlined in the Standard Cost of Gas Adjustment Clause, 220 C.M.R. 6.10.

142.52 Peak Bad Debt Gas Working Capital Allowance Reconciliation Adjustment for CGAC
This account shall be used to record the cumulative difference between peak bad debt working capital allowance revenues and peak bad debt working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.10.

142.54 Off-Peak Bad Debt Gas Working Capital Allowance Reconciliation Adjustment for CGAC
This account shall be used to record the cumulative difference between off-peak bad debt working capital allowance revenues and off-peak bad debt working capital allowance. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.10.

242.10 Undistributed Capacity Suppliers' Refunds
This account will be used to record the refunds from suppliers of pipeline capacity. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.07.

242.20 Undistributed Gas Suppliers' Refunds
This account will be used to record the refunds from suppliers of gas and feed stocks. Entries to this account shall be determined as outlined in the Cost of Gas Adjustment Clause, 220 C.M.R. 6.07.