

REVENUE DECOUPLING MECHANISM CLAUSE

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1.0 Purpose

The purpose of the Revenue Decoupling Mechanism Clause is to establish procedures that allow Boston Gas Company (“Boston” or the “Company”) d/b/a National Grid subject to the jurisdiction of the Department of Public Utilities (the “Department”) to adjust, on a semiannual basis, its rates for firm gas sales and firm transportation service in order to reconcile Actual Revenue per Customer with Benchmark Revenue per Customer as approved by the Department. The Revenue Decoupling Mechanism (“RDM”) eliminates the link between customer sales and the Company’s revenue in order to align the interests of the Company and customers with respect to lowering customer gas usage.

2.0 Effective Date

The Peak Period Revenue Decoupling Adjustment Factor (“RDAF”) shall be effective on the first day of each Peak Period as defined herein. The Off-Peak RDAF shall become effective on the first day of each Off-Peak Period as defined herein.

3.0 Applicability

The Revenue Decoupling Mechanism shall apply to all the Company’s firm tariff Rate Schedules, subject to the jurisdiction of the Department, as determined in accordance with the provisions of this tariff.

4.0 Definitions

The following definitions shall apply throughout the provisions of this RDM tariff:

- (1) Actual Revenue per Customer (“ARPC”) is the actual revenue derived from the Company’s base distribution rates divided by the number of customers for a given season for a Customer Class Group exclusive of customers and associated revenues for customers connected to the Company’s distribution system since the end of the test period for the Company’s most recent base distribution rate case.

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- (2) Actual Number of Customers (“ACUSTS”) is the actual number of customers for the applicable Customer Class Group for the most recently completed Peak or Off-Peak Period (T-1), exclusive of customers connected to the Company’s distribution system since the end of the test period for the Company’s most recent base distribution rate case.
- (3) Base Rate Element is any customer, volumetric, or demand charge reflected in the Company’s Rate Schedules that recovers a portion of the Company’s base distribution revenue requirement as established in its most recent base distribution rate case or other proceeding that results in a base distribution rate change.
- (4) Base Distribution Rates are the collection of Base Rate Elements for all the Company’s Rate Schedules.
- (5) Benchmark Revenue per Customer (“BRPC”) is the allowed average Revenue per Customer for a given season for a Customer Class Group, reflecting the base distribution revenue for the Company’s most recent base distribution rate case, adjusted annually pursuant to the Company’s Performance-Based Ratemaking (“PBR”) Tariff, M.D.P.U. No. 93.1, as may be amended from time to time, and as otherwise adjusted and approved by the Department, or from another proceeding that results in a base distribution rate change. The following are the Department approved benchmarks:

Effective October 1, 2023 in D.P.U. 23-56:

Customer Class Group	Peak BRPC	Off Peak BRPC
Residential Non-Heating	\$183.33	\$121.55
Residential Heating	\$650.48	\$137.65
Commercial & Industrial	\$3,091.20	\$837.79

Effective October 1, 2022 in D.P.U. 22-74:

Customer Class Group	Peak BRPC	Off Peak BRPC
Residential Non-Heating	\$170.96	\$115.38
Residential Heating	\$607.43	\$132.76
Commercial & Industrial	\$2,893.32	\$796.70

- (6) Customer Class is the group of all customers taking service pursuant to the same Rate Schedule.
- (7) Customer Class Group is the group of Rate Schedules combined for purposes of calculating the Revenue Decoupling Reconciliation Amounts. There are three Customer Class Groups as follows:
 - 1. The Residential Heating Customer Class Group shall consist of all customers taking service pursuant to one of the Company’s residential heating rate schedules.

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- 2. The Residential Non-Heating Customer Class Group shall consist of all customers taking service pursuant to one of the Company’s residential non-heating rate schedules.
 - 3. The Commercial and Industrial Customer Class Group shall consist of all sales and transportation customers taking service pursuant to one of the Company’s general service G-40 and G-50 rate schedules.
- (8) Distribution Revenue Allocator is derived from the Company’s most recent base distribution rate case as approved by the Department and shall be as follows by Rate Class Grouping:

	<u>Peak</u>	<u>Off Peak</u>
Residential	68.2%	64.6%
Small Commercial and Industrial	7.2%	9.2%
Medium Commercial and Industrial	6.4%	7.3%
Large Commercial and Industrial	11.4%	13.9%
Extra Large Commercial and Industrial	<u>6.8%</u>	<u>5.0%</u>
Total	100.0%	100.0%

- (9) Off-Peak Period is the continuous period from May 1 through October 31.
- (10) Peak Period is the continuous period from November 1 through April 30.
- (11) Rate Class Grouping is the grouping of similar rate classes to form the basis for the allocation of the Revenue Decoupling Reconciliation Amount. The Rate Class Groupings are defined as: Residential, Small Commercial and Industrial (Rate G-41 and Rate G-51 series), Medium Commercial and Industrial (Rate G-42 and Rate G-52 series), Large Commercial and Industrial (Rate G-43 and Rate G-53 series), and Extra Large Commercial and Industrial (Rate G-44 and Rate G-54 series).

5.0 Calculation of the Revenue Decoupling Reconciliation Amount

At the conclusion of each Peak or Off-Peak Period, the Company shall calculate a RDAF to be applied to customer bills in the next corresponding season. The RDAF for the Peak Period shall be applied to customer bills in the next Peak Period and the RDAF for the Off-Peak shall be applied to customer bills in the next Off-Peak Period.

The Revenue Decoupling Reconciliation Amount (“RDA”) shall be calculated by comparing the difference between the ARPC and the BRPC for the applicable Customer Class Group and multiplying that difference by the ACUSTS for the applicable Customer Class Group. The sum of the differences calculated for each of the Customer Class Groups shall equal the total Company RDA and shall include a reconciliation component and carrying costs. If the RDA does not exceed the revenue cap described below, then it shall be allocated to each Rate Class Group by applying the Distribution Revenue Allocator and then divided by the Rate Class Group’s seasonal forecasted throughput to derive the RDAF for each Rate Class Group.

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The total Peak or Off-Peak RDA, including the prior period reconciliation, deferral amounts, and all carrying charges, may not exceed three percent (3%) of total revenue from firm sales and firm transportation throughput for the most recent corresponding Peak or Off-Peak Periods, here-in referred to as the Revenue Decoupling Cap (“RDC”), with transportation revenue adjusted by imputing the Company’s cost of gas charges for that period. Total revenue shall include amounts that the Company has billed customers through applicable charges for distribution service, Local Distribution Adjustment Factors, Gas Adjustment Factors, and any related adjustment factors. If the RDA exceeds the RDC, then an amount equal to the RDC shall be allocated to each Rate Class Group by applying the Distribution Revenue Allocator and then divided by the Rate Class Group’s seasonal forecasted throughput to derive the RDAF for each Rate Class Group. Amounts determined to be in excess of the RDC shall be deferred and included in the RDA reconciliation for recovery in the subsequent year during the corresponding Peak or Off-Peak Period as long as the sum of the RDA for that period, including the prior period reconciliation, deferral amounts, and all carrying charges, does not exceed the RDC for that period.

Carrying charges shall be calculated on the average deferred balance using the monthly prime lending rate, as reported by Bank of America. If the total amount of the RDA represents an over-recovery to be credited to customers, the entire amount is to be reflected in the RDAF at the beginning of the Peak or Off-Peak Periods (i.e., the RDC is applicable to the under-recoveries only; over-recoveries shall be credited in full).

$$RDA = \left[\left(\sum_{cg=1}^{cg=n} ((BRPC_{T-1} - ARPC_{T-1}) \times ACUSTS_{T-1}) \right) + PPRA + DEF_{BALP} \right] + \text{carrying costs}$$

If:

$$RDA < \$0$$

Then:

$$DEF_{BALc} = \$0$$

And:

$$RDAF_{S,T1} = \frac{RDA \times DRA_S}{TP_{VOLs}}$$

If:

$$RDA > \$0$$

And, if:

$$RDA < RDC$$

Then:

$$DEF_{BALc} = \$0$$

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And:

$$RDA_{S,T1} = \frac{RDA \times DRA_S}{TP_{VOLs}}$$

If:

$$RDA > RDC$$

Then:

$$DEF_{BALc} = RDA - RDC$$

And:

$$RDA_{S,T1} = \frac{RDC \times DRA_S}{TP_{VOLs}}$$

For G-44 B, G-54 B, and G-53 E Rate Schedules only:

If:

$$RDA < \$0$$

Then:

$$RDA_{S,T1} = \left(\frac{RDA \times DRA_S}{TP_{VOLs}} \right) \times CF$$

If:

$$RDA > \$0$$

And, if:

$$RDA < RDC$$

Then:

$$RDA_{S,T1} = \left(\frac{RDA \times DRA_S}{TP_{VOLs}} \right) \times CF$$

If:

$$RDA > RDC$$

Then:

$$RDA_{S,T1} = \left(\frac{RDC \times DRA_S}{TP_{VOLs}} \right) \times CF$$

Where:

- RDAF: The Revenue Decoupling Adjustment Factor for the Peak or Off-Peak Period (T-1).
- DRA: Distribution Revenue Allocator applicable to the Rate Class Group.
- s: Designates a separate factor for each Rate Class Group.

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- RDA:** The Revenue Decoupling Reconciliation Amount consisting of: (1) the difference between the BRPC and ARPC, with the difference multiplied by the ACUSTS, (2) the prior period reconciliation (PPRA), including interest, and, if applicable, (3) any deferral of RDA from prior periods (DEF_{BALp}) that the Company was not able to reflect in a prior period's RDAF, (4) any prospective carrying cost.
- RDC:** The Revenue Decoupling Cap equal to three percent (3%) of total revenue from firm sales and firm transportation throughput for the most recent corresponding Peak or Off-Peak Period with transportation revenue being adjusted by imputing the Company's cost of gas charges for that period.
- cg:** Customer Class Groups 1 through n.
- BRPC:** Benchmark Revenue Per Customer for the applicable Customer Class Group as defined in Section 4.0 for the most recently completed Peak or Off-Peak Period (T-1).
- ARPC:** The Actual Revenue Per Customer for the applicable Customer Class Group for the most recently completed Peak or Off-peak Period (T-1), as defined in Section 4.0. For purposes of calculating the Actual Revenue per Customer, the non-discounted base distribution revenue prior to application of the low income discount shall be used.
- ACUSTS:** The actual number of customers for the applicable Customer Class Group for the most recently completed Peak or Off-Peak Period (T-1), exclusive of customers connected to the Company's distribution system since the end of the test period for the Company's most recent base distribution rate case.
- TP_{Vol}:** Forecast Throughput Volumes inclusive of all firm tariff sales and firm tariff transportation throughput for the Peak or Off-Peak Period.
- PPRA:** Prior Period Reconciliation Amount – Account 175.72 and Account 175.74, subsequent to the billing of applicable Peak or Off-Peak Period RDAF, including interest using the monthly prime lending rate, as reported by Bank of America.
- DEF_{BALp}:** The balance of the unrecovered deferrals from prior periods, including interest using the monthly prime lending rate, as reported by Bank of America.
- DEF_{BALc}:** The amount of RDA that must be deferred in the current year based on the difference between three percent (3%) of total revenue from firm sales and firm transportation throughput for the most recent corresponding Peak or Off-Peak Period, with transportation revenue adjusted by imputing the Company's cost of gas charges for that period, and the current year's RDA.
- CF:** Factor to convert volumetric rate into a Maximum Daily Contract rate based on billing determinants from most recent base distribution rate case.

Rate Schedule	Peak Period CF	Off-Peak Period CF
G-44 B	14.2493	14.1181
G-54 B / G-53 E	16.5652	17.5941

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6.0 Calculation of the Prior Period Reconciliation Amount

- (1) The following definitions pertain to prior period reconciliation amount calculations:
- (i) Revenue Decoupling Reconciliation Amount Allowable shall be:
 - i. Semi-annual base revenue reconciliation associated with the RDA.
 - ii. Account 175.72 Peak Period RDA interest costs.
 - iii. Account 175.74 Off-Peak Period RDA interest costs.
- (2) Calculation of the Prior Period Reconciliation Amount:

Account 175.72 shall contain the accumulated difference between revenue toward the RDA for the Peak Period, as calculated by multiplying the Peak Period RDAF times the Peak Period firm sales and transportation throughput for volumetric based rate schedules and the Peak Period RDAF for the G-44 B, G-54 B, and G-53 E rate schedules times the Peak Period firm sales and transportation monthly Maximum daily contract quantity, and the RDA allowed for the Peak Period, plus carrying charges on the average monthly balance using the monthly prime lending rate, as reported by Bank of America. Account 175.72 shall also include Peak Period deferrals as determined in Section 5.0.

Account 175.74 shall contain the accumulated difference between revenue toward the RDA for the Off-Peak Period, as calculated by multiplying the Off-Peak Period RDAF times the Off-Peak Period firm sales and transportation throughput for volumetric based rate schedules and the Off-Peak Period RDAF for the G-44 B, G-54 B, and G-53 E rate schedules times the Off-Peak Period firm sales and transportation monthly Maximum daily contract quantity, and the RDA allowed for the Off-Peak Period, plus carrying charges on the average monthly balance using the monthly prime lending rate, as reported by Bank of America. Account 175.74 shall also include Off-Peak Period deferrals as determined in Section 5.0.

7.0 Application of Revenue Decoupling Adjustment Factor to Bills

Any RDAF (\$ per therm) shall be truncated to the nearest one one-hundredth of a cent per therm. The RDAF for the Peak Period will be applied to customer bills in the next Peak Period and the RDAF for the Off-Peak Period will be applied to customer bills in the next Off-Peak Period. The RDAF will be applied to the MDCQ for G-44 B, G-54 B, and G-53 E customers and to monthly firm sales and firm transportation throughput for all other customers.

8.0 Information Required to be Filed with the Department

Information pertaining to the RDA will be filed with the Department ninety (90) days prior to the effective dates of the November 1 Peak or May 1 Off-Peak Period RDAF. Such information shall include the calculation of the applicable revenue decoupling reconciliation amount and prior period reconciliation amount, including a summary and schedules as set out in Exhibit A to Revenue Decoupling Adjustment Factor Filing Procedures, D.P.U. 14-RDAF-01 (2014). Other information shall include for the pertinent period the following:

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- (1) Billed sales data by customer class
- (2) Forecasted volumes by rate class
- (3) Bill impact comparison, by customer class, of proposed rates to current rates and of proposed rates to rates in effect for the prior pertinent period
- (4) Estimate of lost base revenue ("LBR")
- (5) Capital costs associated with new customers
- (6) Weather-normalized sales data by customer class
- (7) Weather-normalized RDA
- (8) Other information schedules as prescribed by the Department from time to time