LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Section

1.01: Purpose 1
1.02: Applicability 1
1.03: Local Distribution Adjustment Factor ("LDAF") 2
1.04: General Definitions 2
1.05: Energy Efficiency Surcharge for LDAC 3
1.06: Environmental Remediation Costs Allowable for LDAC 5
1.07: Residential Assistance Adjustments Allowable for LDAC 7
1.08: Pension and PBOP Expense Allowable for LDAC 9
1.09 Attorney General Consultant Expenses Allowable for LDAC 11
1.10: Gas System Enhancement Program 12
1.11: Balancing Penalty Credits 26
1.12: Non-Core Distribution Credits 27
1.13: System Supply Factor for LDAC 28
1.14: Reconciliation Adjustments 29
1.15: Effective Date of Local Distribution Adjustment Factor 31
1.16: Application of LDAF to Bills 31
1.17: Information to be Filed with the Department 31
1.19: Other Rules 32
1.20: Customer Notification 32

1.01: Purpose

The Local Distribution Adjustment Clause ("LDAC") establishes the procedures that allow Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty (the "Company"), which is subject to the jurisdiction of the Massachusetts Department of Public Utilities (the "Department"), to adjust on an annual basis, its rates to recover Energy Efficiency ("EE") costs, Environmental Remediation Adjustment ("ERA") costs, Residential Assistance Adjustment ("RAA") costs, Pension and Post-Retirement Benefits Other than Pensions ("PBOP"), Attorney General Consultant Expenses ("AGCE"), Gas System Enhancement Program ("GSEP") costs, and incremental System Supply costs. Any costs recovered through the application of this LDAC shall be identified and explained in the Company's annual filing as outlined in Section 1.18.

1.02: Applicability

This LDAC shall be applicable to all of the Company's firm Customers with the exception of the customers of the former Blackstone Gas Company. The Gas System Enhancement Program factors (both the GSEAF and GSERAF) are not applicable to these customers. All other LDAC factors are applicable to the former Blackstone Gas Company customers. As stated in Section 1.19, the application of the clause may, for good cause shown, be modified by the Department.

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

1.03: Local Distribution Adjustment Factor ("LDAF")

The annual LDAF per therm shall comprise a Rate Category Energy Efficiency Surcharge ("EES"), the Environmental Remediation Adjustment Factor ("ERAF"), the Residential Assistance Adjustment Factor ("RAAF"), the Pension and PBOP Adjustment Expense Factor ("PAF"), the Attorney General Consultant Expenses Factor ("AGCEF"), the Gas System Enhancement Adjustment Factor ("GSEAF), the Gas System Enhancement Reconciliation Adjustment Factor ("GSERAF"), the Balancing Penalty Credit Factor ("BPCF"), the Annual Non-Core Distribution Credit Factor ("NCCF"), and the System Supply Factor ("SSF") calculated according to the following formula:

LDAF = EES + ERAF + RAAF + PAF + AGCEF + GSEAF + GSEARF - BPCF - NCCF + SSF

1.04: General Definitions

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

(1) Base Distribution Revenue Allocators are the allocation factors for each Customer Group that are applied to the revenues that the Company is allowed to recover through the various recovery mechanisms to determine the Factor for each Customer Group. The following are the Base Distribution Revenue Allocators as approved by the Department in the Company's most recent rate case, D.P.U. 25-85:

Customer Group	Base Distr. Rev. Allocators
Residential	69.76%
C&I Low Load Factor	21.13%
C&I High Load Factor	9.12%

(2) Base Period for the purpose of the RAAF is the twelve-month period ended the prior June 30.

(3) Distribution Company or Company is Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty. Except as otherwise specifically noted, for calculation of the LDAC this includes the assets of the former Blackstone Gas Company, which was acquired by Liberty pursuant to the Department's Order in D.P.U. 20-03.

(4) Forecast Period for estimating the discount revenues for the RAAF is July 1 through June 30 of each year.

(5) Off-Peak Season is the summer season as designated by the Company and approved by the Department.

(6) Peak Season is the complementary winter heating season as designated by the Company and approved by the Department.

(7) Rate Category is the rate schedule pursuant to which the Company offers service to a unique group of Customers, or a group of two or more rate schedules pursuant to which the Company offers services to similarly situated groups of Customers, as follows:

Residential Non Heat: Rates R-1, R-1B, R-2, T-1, T-2

Residential Heating Rates R-3, R-4,T-3, T-4

Commercial/Industrial ("C&I")

C&I Low Load Factor Rates G-41, G-41B, G-42, G-43, T-41, T-42, T-43

C&I High Load Factor Rates G-51, G-51B, G-52, G-53, T-51, T-52, T-53

(8) Therm is an amount of gas having a thermal content of 100,000 Btus.

1.05: Energy Efficiency Surcharge for LDAC

(A) Purpose

This provision establishes the procedures that allow the Company, subject to the jurisdiction of the Department, to adjust on an annual basis, the EES using the budgets approved by the Department as part of the Company's Energy Efficiency Three-Year Plan.

(B) Applicability

The EES shall be reviewed and adjusted annually, if necessary, by the Company separately for each Rate Category subject to review and approval by the Department. The EES shall be incorporated within the calculation of the LDAF for each Rate Category as set forth in Section 1.04.

(C) Calculation of EES

The Company will determine the amount of EE Expenditures for each Rate Category subject to this rate schedule to be collected over the twelve-month period commencing November 1st of each year. The total of such EE Expenditures plus any prior period Reconciling Adjustment plus Incentives shall be divided by each rate category's firm throughput as forecast by the Company for the same annual period. The resulting EES shall be incorporated within the calculation of the LDAF's applied to firm Customers during each such twelve-month period commencing with the Peak Season.

(D) EE Factor

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

The EE Factor ("EEr") for residential heating and non-heating customers (R-1, R-1B, R-2, R-3, R-4, T-1, T-2, T-3, and T-4) shall be calculated at the beginning of each season according to the following formula:

$$EE_r = \frac{PC_r + LI_r + R_r}{R{:}Vol}$$

Where:

PC_r: EE program costs for residential customers as approved by the Department.

LI_r: Residential portion of the Income Eligible Energy Efficiency program costs. The residential portion of the Income Eligible Energy Efficiency program costs are the total Income Eligible Energy Efficiency program costs times the product of Residential Annual Throughput divided by Total Annual Throughput.

R_r: EE residential reconciliation adjustment - Account 175.60 balance, inclusive of the associated Account 175.60 interest, as outlined in Section 1.14.

R: Vol: Forecasted residential annual throughput volumes in therms to which the EEr applies for twelve consecutive months November to October, inclusive.

The EES Factors (EE_{cis}) shall be calculated at the beginning of each season for the C&I Low Load Factor and C&I High Load Factor Customer Groups according to the following formula:

$$EE_{cis} = \frac{(PC_{ci} + LI_{ci} + R_{ci}) \; x \; BDRA_{ees}}{CI{:}Vol_s}$$

Where:

PC_{ci}: EE program costs for commercial and industrial customers as approved by the Department.

LI_{ci}: C&I portion of the Income Eligible Energy Efficiency program costs. The C&I portion of the Income Eligible Energy Efficiency program costs are the total Income Eligible Energy Efficiency program costs times the product of C&I Annual Throughput divided by Total Annual Throughput.

R_{ci}: EE C&I reconciliation adjustment - Account 175.61 balance, inclusive of the associated Account 175.61 interest, as outlined in Section 1.14.

$BDRA_{ees}$ Base Distribution Revenue Allocator for the C&I Customer Groups as approved by the Department in the Company's most recent rate case, D.P.U. 25-85:

Customer Group	Base Distr. Rev. Allocators
C&I Low Load Factor	69.86%
C&I High Load Factor	30.14%

CI:Vol_s: Forecasted annual throughput volumes in therms for each C&I Customer Group to which EE_{ci} applies for the twelve consecutive months November to October, inclusive.

1.06: Environmental Remediation Costs Allowable for LDAC

(A) Purpose

This provision establishes the procedures that allow the Company, subject to the jurisdiction of the Department, to adjust on an annual basis, the ERAF to recover from firm ratepayers the allowable environmental remediation response costs.

(B) Applicability

The Environmental Remediation Adjustment Charge ("ERAC") shall be applied to firm throughput of the Company, subject to the review and approval by the Department.

(C) Calculation of Remediation Adjustment Costs

All environmental remediation costs associated with manufactured gas plants, adjusted for deferred tax benefits, and one half of the expenses incurred by the Company in pursuing insurance and third party claims, less one half of any recoveries received by the Company as a result of such claims. Any insurance or third party recoveries to be passed back to ratepayers through the clause will be net of any insurance or third party expenses not collected from ratepayers.

The total annual charge to the Company's ratepayers for Environmental Remediation Costs during any Remediation Cost Recovery Year shall not exceed five (5) percent of the Company's total revenues from firm gas sales during the preceding calendar year. If this limitation results in the Company recovering less than the amount that would otherwise be recovered in a particular Remediation Cost Recovery Year, then beginning with the date upon which the annual charge would have been effective, carrying costs shall accrue to the Company upon the unrecovered portion of the Remediation costs that

otherwise would have been allowable. Carrying costs shall accrue through the Remediation Cost Recovery Year in which such amount, together with any accumulated carrying costs, is actually recovered by the Company from its ratepayers and shall accrue at the pre-tax weighted cost of capital rate as approved in the Company's most recent rate proceeding.

(D) Environmental Remediation Adjustment Factor

The ERAF consists of one-seventh of the actual Environmental Remediation Costs incurred by the Company in any calendar year for each year until fully amortized, less a deferred tax benefit, plus one-half of insurance and third-party expenses for the calendar year, less one-half of the insurance and third-party recoveries for the calendar year, plus the prior year's ERAF reconciliation adjustment. This amount is then allocated to the Customer Groups using the Base Distribution Revenue Allocator and dividing the costs so allocated by the Company's forecast of total firm throughput volumes for each Customer Group for the upcoming year.

The Deferred Tax Benefit is calculated by applying the Effective Tax Rate to the Company's Unamortized Environmental Remediation Costs to arrive at the deferred tax. The deferred tax is then multiplied by the Tax Adjusted Cost of Capital to arrive at the Deferred Tax Benefit.

The ERAF shall be calculated according to the following formula:

$$ERAF_s = \frac{\left(SUM\left({}^{ERC}/_{7}\right) - DTB + \left((IE - IR)\ x\ 0.5\right) + R_{rac}\right) x\ BDRA_s}{T{:}Thru_s}$$

and:

$$DTB = UERC\ x\ TR\ x\ \left(CD + \left({}^{CE}/_{(1-TR)}\right)\right)$$

Where:

ERC Environmental Remediation Costs shall include all costs of investigation, testing, remediation, litigation expenses, and other liabilities relating to manufactured gas plant sites, disposal sites, or other sites onto which material may have migrated, as a result of the operating or decommissioning of Massachusetts gas manufacturing facilities.

DTB Deferred Tax Benefit shall be the unamortized portion of actual environmental remediation response costs multiplied by the effective statutory federal and

state income tax rate and by the Company's tax adjusted cost of capital as approved in its last rate proceeding.

IE Expenses associated with pursuing Insurance and third-party claims shall include fifty percent of the expenses incurred by the company.

IR Insurance and third-party Recoveries shall include fifty percent of any net recoveries or other benefits received by the company as a result of such claims. Any insurance or third party recoveries to be passed back to ratepayers will be net of any insurance or third party expenses not collected from ratepayers.

R_{rac} Remediation Adjustment Cost Reconciliation Adjustment is the balance in account 175.70 as outlined in Section 1.14.

$BDRA_s$ The Base Distribution Revenue Allocator for each Customer Group established in the Company's most recent rate case as outlined in Section 1.04(1).

$T\text{:}Thru_s$ Forecasted annual firm throughput volumes in therms for each Customer Group for the twelve consecutive months November to October, inclusive.

UERC Unamortized Environmental Remediation Costs are the portion of the environmental remediation costs approved for recovery but not yet included in any LDAC recovery calculation.

TR Combined federal and state income tax rate.

CD Weighted cost of debt established in the Company's most recent rate case.

CE Weighted cost of equity established in the Company's most recent rate case.

1.07: Residential Assistance Adjustments Allowable for LDAC

(A) Purpose

This provision establishes the procedures that allow the Company, subject to the jurisdiction of the Department, to adjust on an annual basis, the RAAF. This factor provides the Company with a mechanism for the recovery of lost revenue, based on the actual number of Residential Assistance customers enrolled in the Company's discounted rates (Rate R-2 and Rate R-4) as a result of a computer data matching program with the Massachusetts Executive Office of Health and Human Services ("EOHHS"), as described

in the Department's D.T.E 01-106 order, as well as through the Company's Arrearage Management Program ("AMP") established pursuant to the Department's directives in D.P.U. 08-4, and traditional outreach programs. The RAAF shall be subject to an annual reconciliation/true-up representing the difference between the sum of the actual reduction of revenues due to customer enrollment in the Company's income-eligible discount rate program and the actual net expenses associated with the Company's AMP during the Prior Year, and the actual recovery of revenues through the RAAF during the Prior Year.

(B) Applicability

The RAAF shall be applied to all firm sales and firm transportation, excluding customers enrolled in the Company's income-eligible discount rate program, throughput of the Company subject to the review and approval by the Department.

(C) Calculation of Residential Assistance Recoverable Revenue

Recoverable Revenue for the purpose of the RAAF is the amount of base rate discount in an annual period subsequent to the Baseline Period in excess of the Baseline Revenue. The base rate discount revenue shall be calculated as the difference between the base rate revenue that would have been collected had no income-eligible discount or AMP credit existed and actual base rate revenue from the income-eligible discount and AMP credit recipients. The Recoverable Revenue shall not be less than zero.

Residential Assistance Adjustment Factor

$$RAAF_s = \frac{[(Cust_x \; x \; \mathrm{D}Cust\$) + \; (Cust \; x \; AvgUse \; x \; DUse\$) + \mathrm{AMP_x} + RA_{x-1}] \; x \; ABDRA_s}{T{:}Thru_s}$$

and:

$$AMP_x = \left(AMP^{admin}\right) - \left(\left(AC^{baseline} - \; AC^{amp}\right) + \; 0.1 \; x \left(AR^{amp} - AR^{baseline}\right)\right)$$

Where:

$RAAF_s$ The annual Residential Assistance Adjustment Factor.

RA_{x-1} The Reconciliation Adjustment for $Year_{x-1}$ is the balance in account 175.80 as outlined in Section 1.14.

$Cust_x$ The estimated number of customers enrolled on the Company's Residential Assistance Rates for $Year_x$.

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

DCust$ The difference between the non-discounted and discounted customer charge for the applicable rates.

AvgUse The estimated average weather-normalized therm or ccf usage per customer for the forecast period determined from the historical therm or ccf usage under the Company's Residential Assistance Rates.

DUse$ The difference between the non-discounted and discounted therm or ccf delivery charges for the applicable rates.

AMP_x The estimated expense directly associated with the AMP net of AMP-related savings for the forecast period. If the AMP calculation produces a net benefit equal to or greater than the cost of the program, the Company will not seek recovery of any AMP related costs.

$ABDRA_s$ The Adjusted Base Distribution Revenue Allocator for each Customer Group as approved by the Department in D.P.U. 24-15:

Customer Group	Adjusted Base Distr. Rev. Allocators
Residential (other than R-2 and R-4)	65.56%
C&I Low Load Factor	24.06%
C&I High Load Factor	10.38%

$T:Thru_s$ Forecasted annual firm throughput volumes in therms, excluding Rates R-2 and R-4, for each Customer Group for the twelve consecutive months November to October, inclusive.

AMP^{admin} The administrative costs to run the AMP.

$AC^{baseline}$ The collections costs for discounted rate customers (scaled).

AC^{amt} The collections costs for AMP customers.

0.1 The annual net write off of discount rate customers versus discount rate sales.

AR^{amp} The payments of AMP customers.

$AR^{baseline}$ The payments for discount rate customers (scaled).

1.08: Pension and PBOP Expense Allowable for LDAC

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

(A) Purpose

The purpose of this provision is to establish a procedure that allows the Company, subject to the jurisdiction of the Department, to adjust, on an annual basis, its rates for the recovery from its firm sales and firm transportation customers of annual Pension and Post-retirement Benefits Other than Pensions including any post-employment benefits other than pensions ("PBOP") expense as recorded on the Company's books including carrying costs on Accrued/Prepaid Pension and PBOP amounts. Beginning April 1, 2026 through March 31, 2027, pursuant to the Order issued on March 27, 2026 in Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 25-85, the Company will refund customers $9,912,786, which includes the remaining PAF reconciliation deferral, as well as the estimated reconciliation balance at March 31, 2026 plus the estimated April 2026 through March 2027 interest expense over the twelve-month period. The PAF will terminate as of April 1, 2027, and any over or under recoveries as of March 31, 2027 will be added to the BPCF.

(B) Applicability

The PAF shall be applied to all firm sales and firm transportation throughput of the Company subject to the jurisdiction of the Department. Such PAF shall be determined annually by the Company as defined below, subject to review and approval by the Department as provided for in this clause.

(C) Definitions

PBOP: shall be the Company's postretirement benefits other than pensions including any post-employment benefits other than pensions.

Pension Plan: is a Qualified Pension Plan, as defined by the Employee Information Retirement Security Act of 1974, as amended from time to time.

Pension/PBOP Deferral: is the remaining reconciliation deferral of ($9,571,982) that the Company will refund to customers beginning April 1, 2026 through March 31, 2027 in Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 25-85 and is the difference between the total Test Year Level of Pension and PBOP Expense established by the Department in the Company's most recent rate filings and the actual Pension and PBOP Expenses booked by the Company for each Prior Year.

(D) Pension and PBOP Expense Adjustment Factor Formula

$$PAF_s = \frac{(PD + RA_{PE})\, x\, LA_s}{T{:}\,Thru_s}$$

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Where:

PD — The remaining Pension/PBOP reconciliation deferral as specified in Section 1.08(c).

RA_{PE} — Pension and PBOP Expense Reconciliation Adjustment, inclusive of the associated interest, as outlined in Section 1.08(A).

LA_s — The Labor Allocator for each Customer Group established in the Company's most recent rate case. The following are the Labor Allocators as approved by the Department in the Company's most recent rate case, D.P.U. 25-85:

PAF Customer Group	Labor Allocators
Residential	79.41%
C&I Low Load Factor	16.04%
C&I High Load Factor	4.55%

$T{:}Thru_s$ — Forecasted annual firm throughput volumes in therms for each Customer Group for the twelve consecutive months April 1, 2026 through March 2027.

1.09 Attorney General Consultant Expenses Allowable for LDAC

(A) Purpose

All Attorney General Consultant Expenses ("AGCE") associated with the Attorney General's retention of consultants to assist with cases before the Department pursuant to Section 4 of Chapter 169 of the Acts of 2008 ("Green Communities Act") enacted and signed into law on July 2, 2008. Such Department-approved expenses are recognized as proper business expenses recoverable through the LDAC.

(B) Definitions

AGCE are all reasonable costs and expenses associated with the Attorney General's retention of a consultant to assist with a proceeding before the Department. After allowing the full parties to the proceeding to comment regarding the necessity or the desirability of the consultants services and absent a showing that the costs of such services are unnecessary or not responsible or proper, the Department shall approve the costs. The costs for a consultant shall not exceed $150,000 per proceeding, unless approved by the Department based upon exigent circumstances, including the complexity of the proceeding. Once the costs have been approved by the Department, these costs

shall be recognized by the Department for all purposes as proper business expenses of the Company, and are recoverable through rates without further approval by the Department.

(C) AGCEF Formula:

$$AGCEF_s = \frac{(AGCE + RA_{AGCE}) x\ BDRA_s}{\text{T: Thru}_s}$$

Where:

AGCE: Attorney General Consultant Expenses as defined in Section 1.09(B)

RA_{AGCE} Attorney General Consultant Expenses Reconciliation Adjustment – Account 175.10 balance, inclusive of the associated Account 175.10 interest, as outlined in Section 1.14.

$BDRA_s$ The Base Distribution Revenue Allocator for each Customer Group established in the Company's most recent rate case as outlined in Section 1.04(1).

T:Thru_s Forecasted annual firm throughput volumes in therms for each Customer Group for the twelve consecutive months November to October, inclusive.

1.10: Gas System Enhancement Program

(A) Purpose

The purpose of the Gas System Enhancement Program ("GSEP") Tariff is to establish a procedure that implements the provisions of G.L. c. 164, § 145, allowing the Company, subject to the jurisdiction of the Department, to obtain recovery of eligible costs associated with the replacement or improvement of existing natural gas distribution infrastructure to improve public safety or infrastructure reliability. In accordance with G.L. c. 164, § 145(b), all costs associated with the GSEP are incurred to address aging or leaking natural gas infrastructure within the Commonwealth in the interest of public safety and reducing lost and unaccounted for natural gas through a reduction in natural gas system leaks. Consistent with St. 2016 c. 188, Section 13, cost recovery for expenses incurred for the repair of G3SEI leaks shall be allowable through GSEP.

(B) Applicability

As a component of the LDAC, the GSEAF and the GSERAF, as defined herein, shall be applied to all firm sales and firm transportation throughput of the Company's customers,

with the exception of the throughput associated with customers of the former Blackstone Gas Company, as determined in accordance with the provisions of Section 1.10 (E) of this clause. The GSEAF and GSERAF shall be determined annually by the Company, as defined below, subject to the Department's review and approval.

(C) Effective Date

In accordance with G.L. c. 164, §§ 145 (a), (d), (e), the annual GSEAF associated with each GSEP Investment Year beginning on and after January 1, 2015, shall be effective on May 1 of the respective GSEP Investment Year, based on the GSEP Revenue Requirement calculated in the annual GSEP Plan filed with the Department on or before October 31 in the year prior to the GSEP Investment Year. The annual GSERAF shall be effective on the November 1 following each GSEP Investment Year.

(D) Definitions

(1) Accumulated Deferred Income Taxes are the net reduction in Federal income and State franchise taxes associated with the use of accelerated depreciation allowed for income tax purposes.

(2) Accumulated Reserve for Depreciation is the cumulative net credit balance arising from the provision for Depreciation Expense.

(3) Depreciation Expense is the return of the Company's investment in Rate Base at established depreciation rates as approved by the Department in the Company's most recent general distribution rate proceeding.

(4) Eligible G3SEI Expense is the O&M expense incurred by the Company to repair G3SEI during the GSEP Investment Year.

(5) Eligible GSEP Investment is the cost of Eligible Infrastructure Replacement Projects planned for the current GSEP Investment Year, plus the cumulative actual and planned cost of Eligible Infrastructure Replacement Projects completed through the end of the year prior to the current GSEP Investment Year, as summarized in the annual GSEP Plan. Costs included in the GSEP Revenue Requirement associated with Eligible GSEP Investment are depreciation expense, property taxes, and the return on investment utilizing the after-tax rate of return approved by the Department in the Company's most recent general distribution rate proceeding, adjusted to a pre-tax basis by using the current federal and state income tax rates applicable to the GSEP Investment Year. Project costs shall be Eligible GSEP Investment in the year completed and placed into service. Eligible GSEP Investment includes costs recorded in the following MDPU/FERC plant accounts:

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Account No. 367/367	Mains – Transmission
Account No. 367/377	Mains – Distribution
Account No. 380/380	Services – Distribution
Account No. 381/381	Meters – Distribution
Account No. 382/382	Meter Installations – Distribution
Account No. 383/383	House Regulators – Distribution

The costs booked to the above accounts shall be determined in accordance with the Company's application of the Uniform System of Accounts for Gas Companies, 220 C.M.R. § 50.00, Gas Plant Accounts, in use during the test year of its previous base rate case, filed pursuant to G.L. c. 164 § 94.

(6) Eligible GSEP Savings are the cumulative reduction in operating and maintenance leak repair expense achieved with the replacement of leak-prone main. Eligible GSEP Savings shall be equal to the most recent three-year average of leak repair cost per mile for Aldyl-A pipe installed prior to 1985, non-cathodically protected steel mains, cast iron mains and wrought iron mains, respectively, updated annually in the GSEP Plan filed on October 31 of each year for the subsequent construction year. The costs associated with leak repair expense shall be determined in accordance with the Uniform System of Accounts for Gas Companies, 220 C.M.R. § 50.00, Operations and Maintenance Expense Accounts, in use during the test year of its previous base rate case filed pursuant to G.L. c. 164, § 94.

(7) Existing Infrastructure is mains, services, meter sets composed of Aldyl-A pipe installed prior to 1985, non-cathodically protected steel, cast iron and wrought iron and other ancillary facilities composed of Aldyl-A pipe installed prior to 1985, non-cathodically protected steel, cast iron, wrought iron and copper. [G.L. c. 164, § 145(c)]

(8) Eligible Infrastructure Replacement Project is a project to replace or improve the Company's Existing Infrastructure that: (i) is made on or after January 1, 2015; (ii) is designed to improve public safety or infrastructure reliability; (iii) does not increase the Company's revenue by connecting an improvement for a principal purpose of serving new customers; (iv) reduces, or has the potential to reduce, lost and unaccounted for natural gas through a reduction in natural gas system leaks; (v) is not included in the Company's current rate base as determined in the gas company's most recent rate proceeding; (vi) may include use of advanced leak repair technology approved by the Department to repair an existing leak-prone gas pipe to extend the useful life of such gas pipe by no less than 10 years; and (vii) may include replacing gas infrastructure with utility-scale non-emitting renewable thermal energy infrastructure. [G.L. c. 164, § 145(a); St.2016, c. 188, § 13; St. 2022, c. 179, § 58]

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

(9) Gross Plant Investments are the capitalized costs of GSEP plant investments including costs of removal recorded on the Company's books for Eligible Infrastructure Replacement Projects. Gross Plant Investment for a GSEP Investment Year shall be the cumulative actual and planned cost of Eligible Infrastructure Replacement Projects completed through the end of the year prior to the current GSEP Investment Year and the planned capitalized investment for the current GSEP Investment Year associated with the GSEP Plan filed with the Department on October 31 of the year prior to the GSEP Investment Year. Actual capitalized cost of GSEP Investments shall include applicable overhead and burden costs subject to the test provided in Section 1.10 (I) and allowance for funds used during construction ("AFUDC")

(10) G3SEI shall mean Grade 3 gas leaks that have been determined to have a significant environmental impact, defined, consistent with 220 CMR 114.07, as a leak if during the initial identification or the most recent annual survey:

1. the highest barhole reading shows a gas-in-air reading of 50% or higher or
2. the area of 2,000 square feet or greater in which the Company has detected either

a) a positive reading on Flame Ionization Unit ("FIU"), which detects flammable gas concentrations, or
b) a positive Combustible Gas Indicator ("CGI"), which detects flammable gas-in-air concentrations, surrounded by an area of either negative FIU readings or CGI readings.

(11) GSEAF is the Gas System Enhancement Adjustment Factor that recovers the aggregate GSEP Revenue Requirement approved by the Department for actual and planned Eligible GSEP Investment made beginning January 1, 2015, and in annual periods January 1 through December 31 of each GSEP Investment Year, with the annual recovery period beginning May 1 of each GSEP Investment Year for the cumulative spending on planned or completed projects anticipated to be placed in service through the end of the GSEP Investment Year.

(12) GSERAF is the Gas System Enhancement Reconciliation Adjustment Factor that recovers the GSEP Reconciliation Adjustment. The GSERAF shall be filed on or before May 1 for effect November 1 following each GSEP Investment Year through October 31 of the following year.

(13) GSEP Investment Year is the annual period beginning on January 1 and ending on December 31, during which the Company anticipates placing GSEP Eligible Infrastructure Replacement Projects in service.

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

(14) GSEP Offsets represent the reduced operating and maintenance expense associated with the elimination of natural gas leaks through Eligible Infrastructure Replacement Projects. GSEP Offsets are determined by multiplying Eligible GSEP Savings by the total miles of Aldyl-A installed prior to 1985, non-cathodically protected steel mains, cast iron mains, Incidental Infrastructure and wrought iron mains, replaced or abandoned by the Company in the period January 1 through December 31 of the respective GSEP Investment Year. For the purposes of calculating the GSEP Offsets, the Company shall identify, by material type, all miles of mains replaced or abandoned in connection with GSEP projects.

(15) GSEP Plan is the Company's plan to replace or improve existing distribution infrastructure in accordance with G.L. c. 164, § 145, as filed with the Department on October 31 of each year, including information pertaining to eligible infrastructure replacement undertaken to eliminate natural gas system leaks in the subsequent construction year and over a future timeline allowing for the removal of all leak-prone infrastructure on an accelerated basis. [G.L. c. 164, § 145 (a), (c) and (d)]

(16) GSEP Reconciliation Adjustment is the difference between the GSEP Revenue Requirement on cumulative Eligible GSEP Investment for a GSEP Investment Year and the billed revenue from the GSEAF associated with the same GSEP Investment Year. The GSEP Revenue Requirement, for this purpose, shall reflect actual cumulative Eligible GSEP Investment. The GSEP Reconciliation Adjustment shall include interest on any balance, accrued at the Bank of America prime rate. The GSEP Reconciliation Adjustment shall be recovered through the GSERAF.

(17) GSEP Revenue Requirement is the accumulated revenue requirements through December 31 of each GSEP Investment Year, based on the Eligible GSEP Investment to be completed during the GSEP Investment Year and inclusive of the actual and planned Eligible GSEP Investment incurred through the end of the year prior to the current GSEP Investment Year. The revenue requirement for each GSEP Investment Year will be calculated on a monthly basis, and shall represent the sum of the revenue requirement for each of the twelve months of the respective year. The annual revenue requirement on Eligible GSEP Investment for subsequent years will also be calculated on a monthly basis.

(18) Incidental Infrastructure is any connected facilities such as services, meters, or regulators or pre-existing pipe segments, including but not limited to, plastic and cathodically protected steel pipe segments, that must be installed, replaced or retired to enable the replacement project to become operational and/or manage the costs of the replacement project, and where such plastic and cathodically

protected steel pipe segments are not more than 50 percent of the total replacement project footage.

(19) Non-Emitting Renewable Thermal Infrastructure Project is a utility-scale project that replaces natural gas distribution infrastructure with distribution infrastructure that supplies heating, or heating and cooling, from fuel sources whose combustion does not emit greenhouse gases, as defined by section 1 of chapter 21N; provided, however, that a "non-emitting renewable thermal infrastructure project may include, but shall not be limited to, a networked geothermal system".

(20) Property Tax Rate is the Company's composite property tax rate determined in the Company's most recent general distribution rate proceeding, calculated as the ratio of total annual property taxes paid to total taxable net plant in service.

(21) Rate Base is the investment value upon which the Company is permitted to earn its authorized rate of return.

(22) Rate Base Allocators are the allocation factors for each GSEP Customer Group that are applied to the GSEP Revenues Requirements that the Company is allowed to recover through the GSEAF to determine the GSEAF rate for each GSEP Customer Group. The following are the Rate Base Allocators as approved by the Department in the Company's most recent general distribution rate proceeding:

GSEP Customer Group	Rate Base Allocators
Residential	73.30%
C&I Low Load Factor	20.73%
C&I High Load Factor	5.97%

(E) GSEAF Formula:

$$CAP = RC \; x \; TOT \; REV$$

If
$$CAP < GSEP_REC_c - GSEAF_REC_p$$

Then

$$GSEAF_s = \frac{GSEP_{RECc} - \left(\left(GSEP_{RECc} - GSEAF_{RECp} \right) - CAP \right) + G3SEI \;) \; x \; RBA_s}{A{:}\, TPvol_{exB}}$$

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Else

$$GSEAF_s = \frac{(GSEP_REC_c + DEF_REC + G3SEI)\ )\ x\ RBA_s}{A{:}TPvol_{exB}}$$

And:

DEF_REC = Lesser of (DEFr or (CAP – GSEP_RECc – GSEAF_RECp))

Where:

s: Designates a separate factor for each GSEP Customer Groups.

$GSEAF_s$: The GSEAF, by Customer Group, as defined in Section 1.10 (D) (18).

GSEP_ REC: The GSEP Recovery, consisting of GSEP Revenue Requirement associated with the cumulative Eligible GSEP Investments for the respective GSEP Investment Year, excluding Eligible G3SEI Expense. Cumulative Eligible GSEP Investments will consist of actual and planned investment from January 1, 2015 through the end of the respective GSEP Investment Year.

$GSEAF_REC_p$: The annual recovery amount reflected in the GSEAF for the applicable prior GSEP Investment Year excluding Eligible G3SEI Expense. The current year GSEP_REC is compared against the GSEAF REC_p to quantify the change in the recovery that is to be compared to the CAP.

RBA_s: Rate Base Allocator for each GSEP Customer Group as specified in Section 1.10 (D) (18).

$A{:}TPvol_{exB}$: Forecasted Annual Throughput Volumes for each GSEP Customer Group inclusive of all firm sales and firm transportation throughput excluding throughput associated with customers of the former Blackstone Gas Company.

RB: The Rate Base associated with the cumulative Eligible GSEP Investments. For purposes of establishing a GSEAF rate and the GSEP Reconciliation Adjustment the rate base will be calculated using projected (GSEAF) and actual (GSERAF) monthly balances for GP, ARD, and ADIT.

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 general rate proceeding, adjusted to a pre-tax basis by using currently effective federal and state income tax rates applicable to the period of the Eligible GSEP Investment.

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

DEPR: The annual depreciation expense associated with the cumulative monthly Eligible GSEP Investments. For purposes of determining the GSEAF and the GSEP Reconciliation Adjustment, depreciation expense is equal to the sum of the depreciation expense calculated on a monthly basis based on the monthly plant balances utilized in determining rate base.

PTMS: The property taxes calculated based on the cumulative net GSEP plant investment at the end of the GSEP Investment Year multiplied by the Property Tax Rate established by the Department in the Company's most recent general distribution rate proceeding. Property taxes will be included in the GSEP Revenue Requirement beginning in the year following the GSEP Investment Year at 50% of the annual property tax amount for the first year. In subsequent years, the GSEP Revenue Requirement will reflect a full year of property taxes.

OFF: The total GSEP Offset associated with reduced leak repair operating and maintenance costs. The GSEP Offset for the first GSEP Investment Year will be 50% of the annual GSEP Offset calculated. In subsequent years, the GSEP Offset will reflect a full year of the calculated GSEP Offset. For purposes of determining the GSEP Reconciliation Adjustment for the first year of each GSEP Investment Year, the annual GSEP Offset will be allocated to the months based on the monthly miles of main replaced.

GP: The cumulative GSEP Gross Plant Investments including cost of removal.

ARD: The Accumulated Reserve for Depreciation associated with the cumulative Eligible GSEP Investments.

ADIT: The Accumulated Deferred Income Taxes associated with the cumulative Eligible GSEP Investments.

CAP: The maximum change in the revenue requirement to be billed in any given year through the Company's GSEAF.

RC: The Revenue Cap is equal to 2.0 percent on annual GSEP-related spending or to 3.0 percent for non-pipeline alternatives.

DEF: Cumulative actual Reconciliation Adjustment amounts for the prior GSEP Investment Years which have not been reflected in rates due to being in excess of the CAP and are deferred for recovery in a subsequent GSEAF.

DEF_REC: Amount of DEF that is allowed for recovery in the GSEAF.

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

TOT_REV: The total annual delivery revenue from sales and transportation customers during the calendar year prior to the year in which the GSEP plan is filed plus imputed gas revenues for sales and transportation customers, calculated as the product of (1) the historical average cost of gas per therm from the period starting in 2013 and ending with the most recent year that actual data is available at the time of the GSEP plan filing, and (2) the average of weather normalized sales from sales and transportation throughput over the same period.

G3SEI: Eligible G3SEI Expense representing O&M costs incurred by the Company during the GSEP Investment Year to repair Grade 3 natural gas leaks determined to have significant environmental impact as defined in Section 1.10 (D) (10).

c: The current year.

p: The prior year.

cm: The current month

pm: The prior month

m: Month

r Subsequent GSERAF Filing.

(F) GSERAF Formula:

If
$\left(RA - DEF_REC - \ GSERAF_REV_{May-Oct}\ \right) < 0$

Then

$$GSERAF_s = \frac{(\left(RA - DEF_{REC} - GSERAF_{REV\ May-Oct}\ \right) + RA_G3SEI)\ x\ \ RBA_s}{A{:}TPvol_{exB}}$$

Else:
If $\ CAP\ < GSEP_RECc - \ GSEAF_REC_p\ + DEF_REC$

Then:

GSERAF = $\frac{RA_G3SEI\ x\ RBAis}{A{:}TPvolexB}$

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Else:

RA_REC =Lesser of ((RA – DEF_REC_f – $GSERAF_REV_{May\text{-}Oct}$) or (CAP – ($GSEP_REC_c$ – $GSEAF_REC_p$ + DEF_REC_f))

And:

$$GSERAF_s = \frac{RA - RA_REC \ x \ RBA_s}{A{:}TPvol_{exB}}$$

And:

$$DEF = RA - RA_REC - DEF_REC_f - GSERAF_REV_{May-Oct}$$

Where:

$GSERAF_S$: The Gas System Enhancement Reconciliation Adjustment Factor, Customer Group, as defined in Section 1.10 (D) (18).

s: Designates a separate factor for each GSEP Customer Groups.

RA: GSEP Reconciliation Adjustment – Account 175.35 inclusive of the associated interest, as outlined in Section 1.10 (D) (14) for the GSEP Investment Years as of May 1 of each year.

RA_REC: GSEP Reconciliation Adjustment that is allowed to be recovered in the GSERAF.

RBA_s: Rate Base Allocator for each GSEP Customer Group as specified in Section 1.10 (D) (18).

$A{:}TPvol_{exB}$: Forecasted Annual Throughput Volumes for each GSEP Customer Group inclusive of all firm sales and firm transportation throughput, excluding throughput associated with customers of the former Blackstone Gas Company.

CAP: The maximum change in the revenue requirement to be billed in any given year through the Company's GSEAF.

$GSEP_REC$: The GSEP Recovery, consisting of GSEP Revenue Requirement associated with the cumulative Eligible GSEP Investments for the respective GSEP Investment Year. Cumulative Eligible GSEP Investments will consist of actual and planned

investments from January 1, 2025 through the end of the respective GSEP Investment Year.

GSEAF_REC: The annual recovery amount reflected in the GSEAF for the applicable prior GSEP Investment Year. The current year GSEP_REC is compared against the GSEAF_REC$_p$ to quantify the change in the recovery that is to be compared to the CAP.

c: The current year.

p: The prior year.

f: Subsequent GSEAF filing.

$GSERAF_REV_{May-Oct}$: GSERAF revenue estimated for the period May through October of the current year.

DEF_REC: Amount of DEF that is allowed for recovery in the GSEAF.

DEF Cumulative actual Reconciliation Adjustment amounts for the prior GSEP Investment Years which have not been reflected in rates due to being in excess of the CAP and are deferred for recovery in a subsequent GSEAF.

RA_G3SEI GSEP Reconciliation Adjustment for cost recovery of Grade 3 leaks determined to have significant environmental impact as defined in Section 1.10(D)(10).

(G) Application of GSEAF and GSERAF to Customer Bills

The GSEAF ($ per therm) and GSERAF ($ per therm) shall be calculated to the nearest one one-hundredth ($0.0001) of a cent per therm and will be applied to the monthly firm sales and firm transportation throughput, excluding throughput associated with customers of the former Blackstone Gas Company.

(H) Limitations on Annual GSEAF and GSERAF Charges

(1) Unless modified by the Department, annual changes in the GSEP recovery that may be billed in any year shall be limited by a cap ("GSEP Cap"), which is an amount equal to 2.0 percent, or to 3.0 percent for non-pipeline alternatives, of the Company's most recent calendar year total firm delivery revenues at the time of the GSEP Plan filing plus imputed cost of gas revenues for sales and transportation customers, calculated as the product of (1) the historical average cost of gas per therm from the period starting in 2013 and ending with the most recent year that actual data is available at the time of the GSEP Plan filing and

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

(2) the average of weather normalized sales from sales and transportation throughput over the same period. [G.L. c. 164, § 145 (f)]. In addition, in the instance where the GSERAF is a surcharge to customers, the recovery of the annual GSERAF that may be billed in any year beginning in November 1 will be limited by the difference between the GSEP Cap and the annual change in the GSEP recovery.

(2) In accordance with G.L. c. 164, § 145 (f), the Department may increase the GSEP Cap.

(3) Application of the GSEP Cap shall not affect the calculation of GSEP recovery, including GSEP Revenue Requirement, in subsequent periods. However, any GSEP recovery approved by the Department in excess of the GSEP Cap may be deferred for recovery in the following year.

(4) Consistent with St. 2016. c. 188, Section 13, the Company shall exclude Eligible G3SEI Expense from the operation of the GSEP Cap and shall add the annual Eligible G3SEI Expense to the GSEP Revenue Requirement determined to be recoverable pursuant to the GSEP Cap for purposes of calculating the GSEAFs.

(5) In the event the Company incurs capital cost to replace Existing Infrastructure having a G3SEI leak, the Company shall include the replacement cost in the GSEP Revenue Requirement that is subject to the GSEP Cap. In the event the Company incurs capital cost to replace infrastructure having a G3SEI leak that does not constitute Existing Infrastructure, the resulting capital cost shall be excluded from Eligible GSEP Investment and the GSEP Revenue Requirement, and shall be eligible for recovery in the Company's next general rate case.

(6) As noted elsewhere in the LDAC, annual GSEAF and GSERAF charges shall be excluded from throughput associated with customers of the former Blackstone Gas Company.

(I) Overhead and Burden Adjustments

When calculating the actual GSEP investment, overheads and burdens shall be included to the extent that the Company demonstrates (1) that there has not been a shifting of overheads and burdens expensed in the Company's most general rate proceeding into capitalized GSEP costs and (2) that overheads and burdens capitalized on actual prior GSEP projects are proportional to overheads and burdens capitalized on all capital projects that are subject to overheads and burdens.

(J) Reconciliation Adjustments

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

(1) Account 175.35 shall contain the accumulated difference between revenues billed through the GSEAF for a GSEP Recovery associated with a respective GSEP Investment Year, as calculated by multiplying the $GSEAF_s$ times the respective GSEP Customer Group monthly firm sales and transportation throughput, plus the revenues billed through the GSERAF as calculated by multiplying the $GSERAF_s$ times the respective Rate Class Sector monthly firm sales and transportation throughput, unless otherwise identified in the Company's billing records, and the revenue requirement associated with the actual Eligible GSEP allowed, plus carrying charges applied in accordance with Section 1.14(F). Any deferral of GSEP Recovery as a result of the limitation of the amount allowed to be billed in any one year in accordance with the GSEP Cap shall be reflected in the GSEP Reconciliation Adjustment Account with the monthly calculation of carrying charges as set out in Section 1.14(F).

(2) The GSEP Revenue Requirement will initially be based on planned spending for Eligible Infrastructure Replacement Projects for the GSEP Investment Year, plus cumulative actual planned investment in eligible in-service plant through the end of the prior GSEP Investment Year. Pursuant to Section 1.10 (I)(3) below, upon Department approval of actual Eligible GSEP Investment, the Company shall adjust the GSEP Revenue Requirement of the applicable GSEP Investment Year.

(3) The GSEP Reconciliation Adjustment as of the implementation date of base rates established in a Company's next general rate proceeding, including any aspect of the GSEP Reconciliation Adjustment pertaining to the cumulative deferral of revenue requirement recovery due to application of the GSEP Cap in prior year(s), shall be included in developing the GSEAF established as of the effective date of the new base rates. Upon the effective date of new base rates, the GSEAF then in effect shall be adjusted to reflect the removal of cumulative GSEP Investment through the end of the test year of such general rate proceeding. The reduction to the GSEP recovery shall be concurrent with the implementation of the new base distribution rates. Subsequent October 31 filings of GSEP Plans shall exclude cumulative GSEP Investment included in rate base through the end of the test year of such general rate proceeding. The recovery of GSEP Investment not included in a general rate proceeding shall continue through the GSEP until the GSEP Investment is included in rate base as part of a subsequent general rate proceeding. The filing of a general rate proceeding shall not result in a Company not recovering eligible GSEP costs incurred prior to the date new base rates go into effect.

(K) Information to be Filed with the Department

(1) Information for Subsequent Construction Year

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Any GSEP Plan submitted to the Department on October 31 of each year in relation to Eligible GSEP Investment in the subsequent construction year shall include, but not be limited to:

(a) A plan for the completion of eligible infrastructure replacement projects relating to mains, services, meter sets and other ancillary facilities composed of non-cathodically protected steel, cast iron, wrought iron, and copper prioritized to implement the federal gas distribution pipeline integrity management plan annually submitted to the Department and consistent with subpart P of 49 C.F.R. part 192;

(b) An anticipated timeline for the completion of each project;

(c) The estimated cost of each project;

(d) Rate change requests;

(e) A description of customer costs and benefits under the plan; and

(f) Any other information the Department considers necessary to evaluate the plan.

(g) The GSEP Plan shall also include a description of the process the Company will follow during the upcoming GSEP Investment Year to identify and repair G3SEI leaks. To the extent available or reasonably estimated, the Company will reference the number of G3SEI leaks to be repaired and provide a general estimate of the costs associated with repairing such leaks.

(2) Information on Timeline for Removal of Leak Prone Infrastructure

A GSEP Plan submitted on or before October 31 of any year shall include a timeline for removal of all leak-prone infrastructure on an accelerated basis specifying an annual replacement pace and program end date with a target end date of either: (a) not more than 20 years, or (b) a reasonable target end date considering the allowable recovery cap established pursuant to G.L. c. 164, § 145(f). [G.L. c. 164, § 145(c)]

After the filing of the initial GSEP Plan on October 31, 2014, at five-year intervals, the Company shall provide the Department with a summary of its replacement progress to date, a summary of work to be completed during the next five years and any similar information the Department may require. [G.L. c. 164, § 145(c)].

(3) Information to be filed with the Department for GSEP Reconciliation

On or before May 1 of each year subsequent to a GSEP Investment Year, the Company shall file with the Department certain information to support its GSEP Reconciliation ("GREC"). The Company shall file final project documentation for projects and GSEP Eligible G3SEI leak repairs completed in the prior year to demonstrate: (a) substantial compliance with the GSEP Plan in effect for the respective GSEP Investment Year; and (b) the replacement or retirement of Incidental Infrastructure constituting 25 percent to 50 percent, inclusive, of a project's total footage together with final project documentation demonstrating that the replacement/retirement was necessary for operational or cost effectiveness reasons and (c) that project costs were reasonably and prudently incurred. The Company shall also file the revenue requirement based on the actual costs submitted in this filing, which shall form the basis of the GSERAF to become effective on November 1.

1.11: Balancing Penalty Credits

(A) Purpose

This provision establishes the procedures that the Company, subject to the jurisdiction of the Department, to adjust on an annual basis, the BPCF to return to firm customers the revenues received from balancing penalties collected and paid by transportation customers. With the termination of the PAF as of April 1, 2027, as described in Section 1.08(A), any over or under recoveries for the PAF as of March 31, 2027 will be added to the BPCF for reconciliation purposes.

(B) Applicability

The BPCF shall be applied to firm throughput of the Company, subject to the review and approval of the Department.

(C) BPCF Formula

The BPCF shall be calculated according to the following formula:

$$BPCF_s = \frac{(BP + BPR)x\ BDRA_s}{T\text{:}Thru_s}$$

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Where:

BP Balancing penalty revenues collected and paid by the Company in accordance with its Terms and Conditions.

BPR Balancing penalty reconciliation amounts as outlined in Section 1.14.

$BDRA_s$ The Base Distribution Revenue Allocator for each Customer Group established in the Company's most recent rate case as outlined in Section 1.04(1).

T:Thru$_s$ Forecasted annual firm throughput volumes in therms for each Customer Group for the twelve consecutive months November to October, inclusive.

1.12: Non-Core Distribution Credits

(A) Purpose

This provision establishes the procedures that allow the Company, subject to the jurisdiction of the Department, to adjust on annual basis, the NCCF, to return to firm customers their share of non-core distribution transportation margins in excess of the Threshold Level. The Threshold Level is based on a historical twelve-month period ending April 30th of any given year.

(B) Applicability

The Non-Core Distribution Credit shall be applied to firm throughput of the Company, subject to the review and approval of the Department.

(C) Annual NCCF Formula

The NCCF shall be calculated according to the following formula:

$$NCCF_s = \frac{(NCM + NCMR)x\ BDRA_s}{T{:}Thru_s}$$

Where:

NCM Non-Core Margin is the difference between the revenue and the marginal cost determined to provide non-core distribution transportation services. If the total credit exceeds the Threshold Level, then seventy-five (75) percent of the

credit earned in excess of the Threshold Level will be credited as established in Interruptible Transportation, D.P.U. 93-141-A.

NCMR Non-core margin reconciliation amounts as outlined in Section 1.14.

$BDRA_S$ The Base Distribution Revenue Allocator for each Customer Group established in the Company's most recent rate case as outlined in Section 1.04(1).

T:Thru$_s$ Forecasted annual firm throughput volumes in therms for each Customer Group for the twelve consecutive months November to October, inclusive.

1.13: System Supply Factor for LDAC

(A) Purpose

To allow for the recovery of incremental supply costs from all customers, including capacity-exempt customers, to ensure sufficient supply is available to meet operational flow order hourly requirements needed to maintain adequate pressure into the Company's distribution system. The System Supply Factor ("SSF") shall be computed in a manner that identifies and includes all fixed and variable gas supply costs required on an annual basis to meet these requirements. The SSF shall also include a re-allocation of gas supply costs incurred to meet these requirements from the Company's Seasonal Cost of Gas Adjustment Clause to this SSF.

(B) Applicability

The SSF shall be applied to firm throughput of the Company, subject to the review and approval of the Department.

(C) System Supply Factor Formula ("SSFF"):

$$SSF = \frac{(FGC + RA)}{A: TPvol}$$

Where:

SSF System Supply Factor

FGC Forecasted Gas Costs associated with supply used to maintain capacity requirements, including both demand and commodity costs.

RA	SSF reconciliation amounts as outlined in Section 1.14.
A:TPvol	Forecasted annual throughput volumes in therms for all firm sales and firm transportation customers for the twelve consecutive months November to October, inclusive.

1.14: Reconciliation Adjustments

(A) Energy Efficiency

Account 175.60 shall contain the accumulated difference between EEr revenues toward EEr costs as calculated by multiplying the EEr by monthly residential volumes and EE costs allowable per formula. Account 175.61 shall contain the accumulated difference between EEci revenues toward EEci costs as calculated by multiplying the EEci by monthly commercial and industrial volumes and EE costs allowable per formula. Interest shall be calculated on the average monthly balance of the EE accounts using the Bank of America prime lending rate, then added to each end-of-month balance. The residential EE reconciliation adjustment shall be taken as the Account 175.60 balance as of a reconciliation date as designated by the Company. The commercial and industrial EE reconciliation adjustment shall be taken as the Account 175.61 balance as of a reconciliation date as designated by the Company.

(B) Environmental Remediation Cost

Account 175.70 shall contain the accumulated difference between the revenues toward Environmental Remediation Costs as calculated by multiplying the ERAF by monthly firm throughput volumes and environmental remediation costs allowable per formula. An ERAF Reconciliation Adjustment shall be taken as the Account 175.70 balance as of a reconciliation date designated by the Company.

(C) Residential Assistance Adjustment Costs

Account 175.80 shall contain the accumulated difference between revenues toward Residential Assistance Adjustment as calculated by multiplying the RAAF by monthly firm sales and transportation throughput and Residential Assistance Costs allowed, plus carrying charges calculated on the average monthly balance using the Bank of America prime lending rate and then added to the end-of-month balance.

(D) Pensions and PBOP

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Account 175.90 shall contain the accumulated difference between revenues toward Pension and PBOP Expense as calculated by multiplying the PAF by monthly firm sales and transportation throughput and Pension and PBOP Expense allowed, plus carrying charges calculated on the average monthly balance using the Bank of America prime lending rate and then added to the end-of-month balance.

(E) Attorney General Consulting Expenses

Account 175.10 shall contain the accumulated difference between revenues toward Attorney General Consulting Expenses Adjustment as calculated by multiplying the AGCEF by monthly firm sales and transportation throughput and Attorney General Consulting Expenses allowed, plus carrying charges calculated on the average monthly balance using the Bank of America prime lending rate and then added to the end-of-month balance.

(F) Gas System Enhancement Program Adjustment Costs

Account 175.35 shall contain the accumulated difference between revenues toward Gas System Enhancement Program Adjustment Costs as calculated by multiplying the GSEAF by monthly firm sales and transportation throughput, excluding throughput associated with customers of the former Blackstone Gas Company, and Gas System Enhancement Program costs allowed, plus carrying charges calculated on the average monthly balance using the Bank of America prime lending rate and then added to the end-of-month balance through the end-of-month balance of April 30, 2025. Carrying costs shall not be allowed on amounts added to the deferral balance subsequent to April 30, 2025 to the extent that those additional deferred amounts arose due to spending on 2025 GSEP jobs caused the GSEP revenue requirement to increase by an amount in excess of the allowable annual revenue increase, pursuant to the GSEP Cap. This disallowance of future carrying costs related to 2025 GSEP jobs does not apply to: 1) The application carrying costs on the reconciled April 30, 2025 cumulative GSEP deferral balance, as increased by the ongoing application of carrying costs on that balance; 2) Post April 30, 2025 changes to the accumulated GSEP deferral balance resulting from a difference between the actual throughput during a twelve-month recovery period and the throughput used when establishing the GSEAF and/or GSREAF for that period; 3) Post April 30, 2025 increases in the accumulated GSEP deferral balance resulting from amounts spent in CY2024 being in service for a full twelve months effective January 1, 2025; or 4) Post April 30, 2025 increases to the accumulated GSEP deferral balance resulting from CY2025 spending required to complete pre-CY2025 GSEP jobs.

(G) Balancing Penalty Credits

LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

Account 175.50 shall contain the accumulated difference between the credits toward Balancing Penalty Credits as calculated by multiplying the BPF times firm throughput volumes and the Balancing Penalty Credits allowable, plus carrying charges calculated on the average monthly balance using the Bank of America prime lending rate and then added to the end-of-month balance.

(H) Non-Firm Core Distribution Margins

Account 175.53 shall contain the accumulated difference between the credits toward Non-Core Distribution Margins as calculated by multiplying the NCCF times firm throughput volumes and the Non-Core Distribution Margins allowable, plus carrying charges calculated on the average monthly balance using the Bank of America prime lending rate and then added to the end-of-month balance.

(I) System Supply Factor

Shall contain the accumulated difference between revenues toward System Supply Factor as calculated by multiplying the SSF by monthly firm sales and transportation throughput, and SSF costs allowed, plus carrying charges calculated on the average monthly balance using the Bank of America prime lending rate and then added to the end-of-month balance.

1.15: Effective Date of Local Distribution Adjustment Factor

The date on which the annual LDAF becomes effective will be November 1st of each year.

1.16: Application of LDAF to Bills

The LDAF will be applied to the monthly firm throughput volumes for each Customer, subject to certain exceptions for customers of the former Blackstone Gas Company set forth in this tariff, in a Rate Category. The annual LDAF for each Rate Category shall be calculated to the nearest hundredth of a cent per therm. The Gas System Enhancement Program factors (GSEAF and GSERAF) are not applicable to the customers of the former Blackstone Gas Company. All other LDAC factors are applicable to the former Blackstone Gas Company customers.

1.17: Information to be Filed with the Department

Information pertaining to the LDAF shall be filed with the Department in accordance with the standardized forms approved by the Department at least 90 days before the date on which the new LDAF is to be effective. Required filings include annual ERAF and RAAF filings, which shall be submitted at least 90 days before the date on which the new LDAF is to be effective.

The annual ERAF filing will include copies of all bills relating to any environmental remediation response costs and expenses related to insurance and third party recoveries incurred in the preceding calendar year. The annual ERAF reconciliation shall be submitted with each Peak Season LDAF filing along with documentation of the RAF reconciliation adjustment calculations.

On or before October 31st of each year, the Company shall file information and supporting schedules with the Department necessary for the Department to review and approve the GSEP Revenue Requirements and the GSEAF charge for the subsequent annual recovery period beginning the following May 1st. Such information shall include descriptions of all GSEP plant investments and the results of the calculation of the GSEP Revenue Requirements Formula to be recovered through the application of the GSEAF.

Additionally, the Company shall file with the Department a complete list by (sub) account of all local distribution costs claimed as recoverable through the LDAC over the previous year, as included in the annual reconciliation. This information shall be submitted with the Peak Season LDAF filing, along with complete documentation of the reconciliation adjustment calculations.

1.19: Other Rules

The Department may, where appropriate, on petition or on its own motion, grant an exception from the provisions of the applicable regulations and this rate schedule, upon such terms that it may determine to be in the public interest.

At any time, the Department may require the Company to file, or the Company may file with the Department, an amended LDAF. Said filing must be submitted at least ten (10) days before the proposed effective date of the amended LDAF.

The operation of this rate schedule is subject to all powers of suspension and investigation vested in the Department by Chapter 164 of the General Laws of the Commonwealth of Massachusetts.

1.20: Customer Notification

The Company will design a notice, which explains in simple terms to customers the LDAF, the nature of any change in the LDAF, and the manner in which the LDAF is applied to the bill. The Company will submit this notice for approval at the time of each LDAF filing. Upon approval by the Department, the Company shall immediately distribute these notices to all of its customers either through direct mail or with its bills.