

LIBERTY UTILITIES (NEW ENGLAND NATURAL GAS COMPANY) CORP. d/b/a LIBERTY UTILITIES

M.D.P.U. No. 1025H
Cancels M.D.P.U. No. 1025G

Page 1 of 8

REVENUE DECOUPLING ADJUSTMENT CLAUSE

1.0	Purpose.....	1
2.0	Effective Date	1
3.0	Applicability	1
4.0	Definitions	1
5.0	Calculation of Revenue Decoupling Adjustment.....	3
6.0	Calculation of the Reconciliation Adjustments	7
7.0	Application of the RDA to Customer Bills.....	7
8.0	Information to be Filed with the Department.....	7

1.0 Purpose

The purpose of the Revenue Decoupling Adjustment Clause is to establish procedures that allow Liberty Utilities ("Liberty Utilities" or the "Company") subject to the jurisdiction of the Department of Public Utilities ("Department") to adjust, on a semi-annual basis, its rates for firm gas sales and firm transportation service in order to reconcile Actual Base Revenue per Customer with Benchmark Base Revenue per Customer. The Company's Revenue Decoupling Adjustment ("RDA") eliminates the link between customer sales and Company earnings in order to align the interests of the Company and customers with respect to lowering customer 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 RDAF shall apply to all of the Company's firm tariff sales and firm tariff transportation Rate Schedules, subject to the jurisdiction of the Department, as determined in accordance with the provisions of this mechanism.

4.0 Definitions

The following definitions shall apply throughout the Revenue Decoupling Adjustment Clause:

- A. Actual Base Revenue per Customer ("ARPC") is the actual revenue derived from the Company's base 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 after December 31, 2014, the end of the test period for the Company's most recent base rate case, D.P.U. 15-75.
- B. Actual Number of Customers is the actual number of customers for the applicable Customer Class Group for the most recently completed Peak or Off-Peak Period, exclusive of customers

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Issued By:
Mark E. Smith
President

LIBERTY UTILITIES (NEW ENGLAND NATURAL GAS COMPANY) CORP. d/b/a LIBERTY UTILITIES

M.D.P.U. No. 1025H
Cancels M.D.P.U. No. 1025G

Page 2 of 8

REVENUE DECOUPLING ADJUSTMENT CLAUSE

connected to the Company's distribution system after December 31, 2014, the end of the test period for the Company's most recent base rate case, D.P.U. 15-75.

- C. Customer Class is the group of all customers taking service pursuant to the same Rate Schedule.
- D. Customer Class Group is the group of Rate Schedules combined for purposes of calculating the RDA amounts. The three Customer Class Groups are as follows:
- (1) The Residential Heating Customer Class Group (CG1) shall consist of all sales and transportation customers taking service pursuant to the Company's residential heating rate schedules R-3, R-4, T-3 and T-4.
 - (2) The Residential Non-Heating Customer Class Group (CG2) shall consist of all sales and transportation customers taking service pursuant to one of the Company's residential non-heating rate schedules R-1, R-2, T-1 and T-2.
 - (3) The Commercial and Industrial Customer Class Group (CG3) shall consist of all sales and transportation customers taking service pursuant to one of the Company's general service rate schedules, G-41, G-42, G-43, G-51, G-52, G-53, T-41, T-42, T-43, T-51, T-52, and T-53.
- E. Rate Class Group is the group of Rate Schedules combined for purposes of recovery of the allowed RDA amounts. The three Rate Class Groups are as follows:
- (1) The Residential Rate Class Group (RCG1) shall consist of all sales and transportation customers taking service pursuant to the Company's residential rate schedules R-1, R-2, R-3, R-4, T-1, T-2, T-3 and T-4.
 - (2) The C&I Low Factor Rate Class Group (RCG2) shall consist of all sales and transportation customers taking service pursuant to the Company's C&I Low Load Factor rate schedules G-41, G-42, G-43, T-41, T-42 and T-43.
 - (3) The C&I High Load Factor Rate Class Group (RCG3) shall consist of all sales and transportation customers taking service pursuant to one of the Company's C&I High Load Factor rate schedules, G-51, G-52, G-53, T-51, T-52, and T-53.
- F. Off-Peak Period is the continuous period from May 1 through October 31.
- G. Peak Period is the continuous period from November 1 through April 30.
- H. Benchmark Base Revenue per Customer ("BRPC") is the allowed average revenue per Customer for a given season for a Customer Class Group, reflecting the base revenue from the

LIBERTY UTILITIES (NEW ENGLAND NATURAL GAS COMPANY) CORP. d/b/a LIBERTY UTILITIES

M.D.P.U. No. 1025H
Cancels M.D.P.U. No. 1025G

Page 3 of 8

REVENUE DECOUPLING ADJUSTMENT CLAUSE

Company's base rate case or other proceeding that results in an adjustment to base rates. The following are the BRPC values as approved by the Department in D.P.U. 18-15:

Customer Class Group	Benchmark Base Revenue per Customer	
	Peak Period	Off-Peak Period
Residential Non-Heating	\$118.52	\$98.85
Residential Heating	\$372.56	\$123.51
Commercial and Industrial	\$1,909.67	\$573.30

- I. Base Distribution Revenue Allocators are the allocation factors for each Rate Class Group that are applied to the revenues that the Company is allowed to recover through the Revenue Decoupling mechanisms to determine the RDAF for each Recovery Class 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. 15-75:

Customer Group	Base Distr. Rev. Allocators
Residential	70.26%
C&I Low Load Factor	20.29%
C&I High Load Factor	9.45%

- J. Currently Effective Benchmark Base RPC; The Benchmark Base RPC established by the Department in D.P.U. 15-75, Phase II by Customer Class Group for each season applicable for RDA amounts prior to July 1, 2018, is as follows:

Customer Class Group	Benchmark Base Revenue per Customer	
	Peak Period	Off-Peak Period
Residential Non-Heating	\$121.61	\$101.34
Residential Heating	\$382.22	\$126.65
Commercial and Industrial	\$1,958.85	\$588.03

5.0 Calculation of Revenue Decoupling Adjustment

A. Description of Revenue Decoupling Adjustment

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 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.

LIBERTY UTILITIES (NEW ENGLAND NATURAL GAS COMPANY) CORP. d/b/a LIBERTY UTILITIES

M.D.P.U. No. 1025H
Cancels M.D.P.U. No. 1025G

Page 4 of 8

REVENUE DECOUPLING ADJUSTMENT CLAUSE

The 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 actual number of customers for the applicable Customer Class Group. The sum of the adjustments 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 approved in the Company's most recent rate filing and then dividing by the Rate Class Group's seasonal forecasted throughput to derive the RDAF for each Rate Class Group.

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 revenues from firm sales and transportation throughput for the most recent corresponding Peak or Off-Peak Period, here-in referred to as the Revenue Decoupling Cap ("RDC"), with transportation revenues 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, Cost of 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 approved in the Company's most recent rate filing and then divided by the Rate Class Group's seasonal forecasted throughput to derive the RDA factor 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 Bank of America prime lending rate. If the total amount to be reflected in the RDA represents an over-recovery to be credited to customers, the entire amount is to be reflected in the RDA at the beginning of the Peak or Off-Peak Periods i.e., the RDC is applicable to under-recoveries only; over-recoveries shall be credited in full.

LIBERTY UTILITIES (NEW ENGLAND NATURAL GAS COMPANY) CORP. d/b/a LIBERTY UTILITIES

M.D.P.U. No. 1025H
Cancels M.D.P.U. No. 1025G

Page 5 of 8

REVENUE DECOUPLING ADJUSTMENT CLAUSE

B. Revenue Decoupling Adjustment Formulas

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

If:

$$RDA < \$0$$

Then:

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

And:

$$RDAF_{S,TI} = \frac{RDA \times DRAS}{TP_{VOLs}}$$

If:

$$RDA > \$0$$

And, if:

$$RDA < RDC$$

Then:

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

And:

$$RDAF_{S,TI} = \frac{RDA \times DRAS}{TP_{VOLs}}$$

If:

$$RDA > RDC$$

Then:

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

And:

$$RDAF_{S,TI} = \frac{RDC \times DRAS}{TP_{VOLs}}$$

LIBERTY UTILITIES (NEW ENGLAND NATURAL GAS COMPANY) CORP. d/b/a LIBERTY UTILITIES

M.D.P.U. No. 1025H
Cancels M.D.P.U. No. 1025G

Page 6 of 8

REVENUE DECOUPLING ADJUSTMENT CLAUSE

Where the terms in the above equation have the following meanings:

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.
RDA:	The calculated Revenue Decoupling amount consisting of: (1) the difference between the BRPC and ARPC, with the difference multiplied by the number of actual customers, (2) the prior period reconciliation (RF), including interest, and, if applicable, (3) any deferral of RDA from prior periods ($DEF_{BAL,p}$) that the Company was not able to reflect in a prior period's RDAF, (4) any prospective carrying costs.
RDC:	The Revenue Decoupling Cap equal to three percent (3%) of total revenues from firm sales and firm transportation throughput for the most recent corresponding Peak or Off-Peak Period with transportation revenues being adjusted by imputing the Company's cost of gas charges for that period.
cg:	Customer Class Groups 1 through n.
BRPC:	Benchmark Base Revenue Per Customer for the applicable Customer Class Group as defined in Section 4H for the most recently completed Peak or Off-Peak Period (T-1).
ARPC:	Actual Base Revenue Per Customer for the applicable Customer Class Group as defined in Section 4A for the most recently completed Peak or Off-Peak Period (T-1). For purposes of calculating the Actual Base Revenue per Customer, the non-discounted base revenues 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 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.
RF:	Revenue Decoupling Reconciliation Adjustment – Account 175.21 and Account 175.20, subsequent to the billing of applicable Peak or Off-Peak Period RDAF, including interest using the monthly prime lending rate, as reported by the Bank of America.
$DEF_{BAL,p}$:	The balance of the unrecovered deferrals from prior periods, including interest using the monthly prime lending rate, as reported by the Bank of America.

LIBERTY UTILITIES (NEW ENGLAND NATURAL GAS COMPANY) CORP. d/b/a LIBERTY UTILITIES

M.D.P.U. No. 1025H
Cancels M.D.P.U. No. 1025G

Page 7 of 8

REVENUE DECOUPLING ADJUSTMENT CLAUSE

DEF_{BALc}: The amount of Revenue Decoupling Adjustment that must be deferred in the current year based on the difference between three percent (3%) of total revenues from firm sales and firm transportation throughput for the most recent corresponding Peak or Off-Peak Period, with transportation revenues adjusted by imputing the Company's cost of gas charges for that period, and the current year's Revenue Decoupling Adjustment.

6.0 Calculation of the Reconciliation Adjustments

Account 175.21 shall contain the accumulated difference between revenues toward the RDA for the Peak Period, as calculated by multiplying the Peak Period RDAF times the Peak Period firm sales and transportation throughput, and the RDA allowed revenues for the Peak Period, plus carrying charges on the average monthly balance using the Bank of America prime lending rate. Account 175.21 shall also include Peak Period deferrals as determined in Section 5.0.

Account 175.20 shall contain the accumulated difference between revenues toward the Revenue Decoupling Adjustment for the Off-Peak Period, as calculated by multiplying the Off-Peak Period Revenue Decoupling Adjustment Factor times the Off-Peak Period firm sales and transportation throughput, and the Revenue Decoupling Adjustment allowed revenues for the Off-Peak Period, plus carrying charges on the average monthly balance using the Bank of America prime lending rate. Account 175.20 shall also include Off-Peak Period deferrals as determined in Section 5.0.

7.0 Application of the RDA to Customer Bills

The RDAF (\$ per therm) shall be truncated at 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 monthly firm tariff sales and firm tariff transportation throughput for each customer. The RDM factor shall be included as a component of the applicable variable distribution rates, with the RDM factor stated as a notation on each customer's bill.

8.0 Information 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 Period and May 1 Off-Peak Period RDAF. Such information shall include the calculation of the applicable revenue decoupling adjustment and revenue decoupling reconciliation adjustment, including a summary of schedules as set out in Exhibit A to Revenue Decoupling Adjustment Factor Filing Procedures, D.P.U. 14-RDAF-01 (2014). Other information shall also include for the pertinent period the following:

- (1) Billed sales data by customer class;
- (2) Forecasted volumes by rate class;

LIBERTY UTILITIES (NEW ENGLAND NATURAL GAS COMPANY) CORP. d/b/a LIBERTY UTILITIES

M.D.P.U. No. 1025H
Cancels M.D.P.U. No. 1025G

Page 8 of 8

REVENUE DECOUPLING ADJUSTMENT CLAUSE

- (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; and
- (8) Other informational schedules as prescribed by the Department from time to time.