

March 10, 2017

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4651 - Arrearage Management Program Provision
RIPUC No. 2130 and RIPUC NG-GAS No. 101
Settlement Agreement - National Grid and Division**

Dear Ms. Massaro:

I am pleased to report a settlement between National Grid¹ and the Division of Public Utilities and Carriers (Division) in the above-referenced docket. On behalf of National Grid and the Division, enclosed please find the parties' Settlement Agreement for filing in this matter.

The Settlement Agreement addresses Section XII (Cost Recovery) of National Grid's Arrearage Management Program (AMP) filing. The Division and National Grid have agreed that if a customer satisfies the conditions of R.I. Gen. Laws § 39-2-1(d)(2) as designated in § 39-2-1(d)(2)(xiv), all arrearage amounts forgiven through § 39-2-1(d)(2)(xiv) will be treated as bad debt and may be recovered through an annual reconciling factor approved by the Public Utilities Commission (PUC), provided National Grid performs and satisfies a test to recover such amounts. The Division and National Grid have also agreed that any costs associated with the implementation of, evaluation of, and reporting on the effectiveness and results of the AMP will not be included in the annual reconciling factor. Enclosed with this letter are redlined and clean versions of the AMP provisions in National Grid's electric and gas tariffs to reflect the amendments. Please note that the redlined version of the gas tariff includes some minor technical revisions to Section 3, Distribution Adjustment Charge, Schedule A; and Section 7, Miscellaneous Services, Schedule C, Sheets 1-5, in addition to the revisions to the Arrearage Management Program Provision at Section 7, Miscellaneous Services, Schedule C, Sheets 6-11.

In addition to the agreement with the Division, National Grid and the Center for Justice (CFJ) have discussed all of the issues identified in the CFJ's January 26, 2017 Comments. National Grid and the CFJ anticipate that they will submit a settlement agreement addressing all of the outstanding issues before the hearing in this matter.

¹ The Narragansett Electric Company d/b/a National Grid.

Luly Massaro, Commission Clerk
Docket 4651 - Settlement Agreement - National Grid and Division
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Thank you for your attention to this matter. If you have any questions, please contact me
at 401-784-7415

Very truly yours,



Robert J. Humm

Enclosure

cc: Docket 4651 Service List
Leo Wold, Esq.
Steve Scialabba, Division
Robert McCreanor, Center for Justice

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

March 10, 2017
Date

**Docket No. 4651 - National Grid – Arrearage Management Program
Service List updated 2/27/17**

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RHODE ISLAND PUBLIC UTILITIES COMMISSION

The Narragansett Electric Company d/b/a National Grid's Arrearage Management Program Provision)))))	Docket No. 4651
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SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is dated as of March 8th, 2017, by and between The Narragansett Electric Company d/b/a National Grid (National Grid) and the Division of Public Utilities and Carriers (Division) with respect to National Grid's tariff advice filing in the above-captioned docket to implement an Arrearage Management Program (AMP) Provision for electric customers (RIPUC No. 2171) and gas customers (as incorporated in the gas tariff, RIPUC NG-GAS No. 101).

WITNESSETH

WHEREAS, on September 1, 2016, the Rhode Island General Assembly's amendments to R.I. Gen. Laws § 39-2-1(d)(2) (the Henry Shelton Act) went into effect. The amendments to the Henry Shelton Act, in pertinent part, required National Grid to file tariffs to implement an arrearage management program for low-income electric and gas residential customers;

WHEREAS, on September 22, 2016, National Grid submitted a tariff advice filing to the Rhode Island Public Utilities Commission (PUC), which was assigned Docket No. 4651, to implement the AMP Provision for electric and gas (the AMP filing);¹

WHEREAS, the Division has undertaken discovery of the AMP filing;

¹ In its AMP filing, National Grid proposes that the AMP be established through a new electric tariff, RIPUC No. 2171; and through an additional provision to its gas tariff, RIPUC NG-GAS No. 101, at Section 7 (Miscellaneous Services), Schedule C, beginning at Sheet 6. The substance of the AMP is the same for the electric and gas tariffs.

WHEREAS, after receipt of National Grid's responses to the Division's discovery, the Division and National Grid engaged in settlement negotiations regarding a number of limited issues relating to the AMP filing and interpretation of certain provisions of R.I. Gen. Laws § 39-2-1;

WHEREAS, on January 20, 2017, the PUC established a procedural schedule, which required comments to be filed on or before January 27, 2017 and the filing of National Grid's rebuttal no later than February 3, 2017;

WHEREAS, on January 26, 2017, the Division, requested to stay the January 27, 2017 deadline and further requested a thirty (30) day control date in order to afford National Grid and the Division sufficient time to reduce their settlement in principle to writing;

WHEREAS, on February 1, 2017 the PUC granted the Division's request for a stay and control date until February 10, 2017;

WHEREAS, the Division provided the PUC with an update as to the status of the settlement on February 10, 2017; and

WHEREAS, National Grid and the Division (collectively, the Parties and each individually, a Party) wish to enter into this Agreement to amend National Grid's AMP filing as set forth herein and to avoid the litigation of issues in this matter.

NOW, THEREFORE, in consideration of the promises and mutual covenants, conditions, representations and agreements contained herein, the Parties hereby agree as follows:

1. The Recitals set forth above are incorporated into and made part of this Agreement.
2. The parties acknowledge that R.I. Gen. Laws § 39-2-1 does not contain explicit language regarding the manner of recovery of arrearages from successfully completed § 39-2-

1(d)(2)(xiv) plans. The Division, nonetheless, agrees that, as set forth in Section XII (Cost Recovery) of National Grid's AMP filing, if a customer satisfies the conditions of R.I. Gen. Laws § 39-2-1(d)(2) as designated in § 39-2-1(d)(2)(xiv), all arrearage amounts forgiven through § 39-2-1(d)(2)(xiv) will be treated as bad debt and may be recovered through an annual reconciling factor approved by the PUC, provided first that National Grid performs and satisfies the test as set forth in this paragraph. At the end of each calendar year, National Grid will perform a test to determine if the actual amount of bad debt for the year exceeds the adjusted allowable bad debt from National Grid's most recent electric and gas general rate cases, which is calculated using the distribution uncollectible amount determined in National Grid's last electric and general rate case, updated for the current year's Standard Offer Service, transmission, and energy efficiency-related bad debt for National Grid's electric operations; and Gas Cost Recovery, Distribution Adjustment Clause, and energy efficiency related bad debt for National Grid's gas operations. Should the actual amount of bad debt incurred by National Grid for the year exceed the adjusted allowable bad debt amount, National Grid will be entitled to recover, in the following year, all amounts of arrearage forgiven under § 39-2-1(d)(2)(xiv) in the prior year in excess of the adjusted allowable bad debt. If, however, the amount of arrearage forgiven under § 39-2-1(d)(2)(xiv) in excess of the adjusted allowable bad debt for a given year is not significant enough to calculate an annual reconciling factor for that year, National Grid may reflect such amount in its next Revenue Decoupling Mechanism reconciliation filing.

3. National Grid agrees that any costs associated with the implementation of, evaluation of, and reporting on the effectiveness and results of the AMP ("Administrative Costs") will not be included in the annual Arrearage Management Adjustment Factor set forth in Section XII (Cost Recovery) of National Grid's AMP filing, unless otherwise allowed pursuant

to any legislative amendment enacted after the date of any Order issued by the PUC approving this Settlement Agreement. National Grid agrees to amend its AMP filing accordingly. This Settlement Agreement does not affect National Grid's ability to seek the recovery of Administrative Costs, on a prospective basis only, in its next general rate case filing.

4. The making of this Agreement does not establish any principles or precedents, and may not be construed or cited as precedent in any future proceeding. The covenants contained in this Agreement are limited to the above-captioned docket only and shall not be deemed to foreclose any Party from taking any position or making any contention in any other docket, proceeding or investigation.

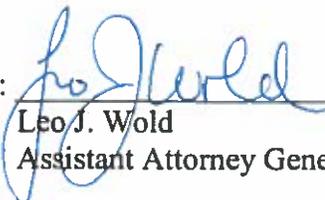
5. This Agreement is the result of settlement negotiations between the Parties. The content of those negotiations is privileged and all offers of settlement and discussions relating thereto are and shall be privileged, shall be without prejudice to the position of any Party, and are not to be used in any manner in connection with these or other proceedings involving any one or more of the Parties to this Agreement or otherwise. The agreement by a Party to the terms of this Agreement shall not be construed as an agreement as to any matter of fact or law for any other purpose.

6. This Agreement is submitted on the condition that it be approved in full by the PUC. In the event that the PUC (a) rejects this Agreement; (b) fails to accept this Agreement as filed; or (c) accepts this Agreement subject to conditions unacceptable to any party hereto, then this Agreement shall be deemed withdrawn and shall be null and void in all respects, except paragraph 6, unless all Parties agree to the PUC's modifications.

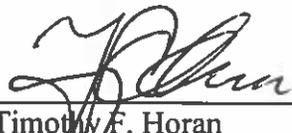
7. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one in the same document.

IN WITNESS WHEREOF, the Parties agree that this Agreement is reasonable, in the public interest and in accordance with law and regulatory policy, and have caused this Agreement to be executed by their respective representatives, each being fully authorized to do so, as of this 8th day of March, 2017.

Rhode Island Division of
Public Utilities and Carriers,

By:  _____
Leo J. Wold
Assistant Attorney General

The Narragansett Electric Company,
d/b/a National Grid,

By:  _____
Timothy F. Horan
President and COO

**THE NARRAGANSETT ELECTRIC COMPANY
ARREARAGE MANAGEMENT PROGRAM PROVISION**

In accordance with R.I. Gen. Laws § 39-2-1(d)(2), commencing on September 1, 2016, the Company shall implement an Arrearage Management Program (“AMP”) pursuant to this tariff provision.

I. PROGRAM ELIGIBILITY

In order to be considered eligible for enrollment in the AMP, a customer who has been terminated from electric service or is recognized, pursuant to a rule or decision by the Division of Public Utilities and Carriers, as being scheduled for actual shut-off of service on a specific date, shall meet all of the following criteria:

- The applicant must be the customer of record;
- The applicant must be eligible for the federal low-income home energy assistance program (“LIHEAP”);
- The account must be receiving retail delivery service on the Company’s Residential Low-Income Rate A-60;
- The customer’s account must have a minimum balance of \$300.00 that is more than 60 days past due;
- If service to the account has been terminated, the customer must make an initial payment of 25% of the total unpaid balance (current and past due), unless otherwise directed by the Public Utilities Commission (“PUC”) as a result of an emergency regulation;
- The customer must agree to a payment plan, as further described in Section III;
- The customer must agree to remain current with payments. “Remaining current” means that the customer:
 - 1) misses no more than two (2) payments in the 12-month term of the payment plan; and
 - 2) pays the amount due under the payment plan in full by the conclusion of the payment plan’s 12-month term;
- The customer must agree to participate in the Company’s Energy Efficiency programs; and
- The customer must apply for other available energy assistance programs, such as fuel assistance and weatherization.

II. ENROLLMENT

To participate, the customer must affirmatively apply to participate in the AMP.

The Company shall administer the AMP enrollment process in compliance with the eligibility qualifications outlined in Section I. By applying to participate in the AMP, the customer agrees to comply with the terms of the AMP, including the customer’s specific payment plan. After a customer has applied to the AMP, the Company shall determine whether

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ARREARAGE MANAGEMENT PROGRAM PROVISION**

the customer has met all of the AMP eligibility criteria set forth in Section I, based on the Company's records. The Company will coordinate with the Community Action Program ("CAP") agencies to validate customer eligibility when appropriate.

III. PAYMENT PLAN

AMP participants shall enroll in a 12-month payment plan, paid in equal monthly installments, that will cover new charges based upon their current estimated annual usage ("Payment Plan").

The current component of the Payment Plan shall be based on the customer's average monthly usage for the previous year less the customer's actual or anticipated fuel assistance commitments, and shall be converted to a fixed monthly payment.

IV. ARREARS FORGIVENESS

AMP participants will be eligible for forgiveness of their account balance that is past due at the time of the first bill under their Payment Plan, up to an annual maximum of \$1,500. With each payment under the Payment Plan, a portion of the participant's outstanding past due account balance as described above is forgiven in an amount equal to the total past due account balance or \$1,500, whichever is less, divided by 12; provided, however, that the annual arrearage forgiveness amount shall not exceed \$1,500.

If an AMP participant's past due account balance at the time their Payment Plan takes effect exceeds \$1,500, the AMP participant may request an extension of the Payment Plan beyond the initial 12-month term to establish a new Payment Plan to accommodate the additional account balance in excess of \$1,500. To be eligible for an extension, the AMP participant must be current with their Payment Plan at the conclusion of the initial 12-month term.

V. PAYMENT PLAN REVIEW

Customers applying to participate in the AMP will be advised that the amount of their required monthly payment under their Payment Plan may change over the lifetime of the Payment Plan.

The Company shall review the Payment Plans of active AMP participants every three months and may adjust the installment payments based on the following:

- A fuel assistance commitment is made subsequent to enrollment;
- There is a change in fuel assistance, such as a change in the amount, from what was understood at enrollment;
- The customer moves to a new address with a different average monthly usage for the previous year;
- Actual usage patterns differ from what was estimated as annual usage at enrollment; or

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- There is a significant change in the Company's rates from what was anticipated at enrollment.

VI. DEFAULT

The Company shall consider the AMP participant's billing account in default if either of the following occurs:

- The AMP participant misses more than two (2) payments in the 12-month Payment Plan term; or
- If the amount due under the Payment Plan is not paid in full by the conclusion of the 12-month Payment Plan term.

Upon default, the Company shall terminate an AMP participant from the AMP and the customer's unpaid balance will be due and payable in full. However, any arrearage forgiven under the AMP prior to termination of participation in the AMP will remain forgiven.

Customers shall have the option to opt out of continued participation in the AMP at any time, with the understanding that any unpaid balance will be due and payable in full and the customer may be ineligible for future participation in the AMP.

VII. TERMINATION

In addition to termination upon default, a customer's participation in the AMP shall terminate if the AMP participant moves outside of the Company's service territory.

If a customer is terminated from AMP participation, the customer's unpaid balance will be due and payable in full. However, any arrearage forgiven under the AMP prior to termination of participation in the AMP will remain forgiven.

VIII. COLLECTION ACTIVITY

AMP participants shall not be subject to the Company's normal collections activities while actively participating in the AMP. The Company shall resume normal collections activities if an AMP participant defaults while participating in the AMP or terminates the AMP.

IX. AMP BILLING AND ACTIVE PLAN NOTICING

The Company shall remove the amount of an AMP participant's arrears balance up to \$1,500 from the "current amount due" field on certain views of AMP participant accounts in the Company's billing system. However, the arrears balance up to \$1,500 shall remain on the customer's bill.

Customers who are enrolled in the AMP will receive an AMP "Enrollment Letter" outlining the terms and conditions of their participation in the AMP.

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Customers in danger of defaulting from the AMP will receive a default letter advising them of the need to make all required payments or risk default, termination from the AMP, and a return to the Company's normal collections activities.

X. SUBSEQUENT ELIGIBILITY

A customer is eligible for subsequent enrollment in the AMP provided two years have passed since either (a) the date of the customer's successful completion of the AMP, or (b) the date on which the customer's participation in the AMP was terminated as a result of default, provided, however, a CAP agency has provided a recommendation to allow eligibility notwithstanding the customer's default. The Company shall review requests for re-enrollment on a case-by-case basis.

XI. REPORTING METRICS

The Company shall report monthly and annually the metrics below to allow for the evaluation of the effectiveness of the AMP. The monthly and annual reports shall be submitted to the PUC in Docket No. 4290.

- Number of customers enrolled in the program at the end of the reporting period;
- Number of customers added to the program during the reporting period;
- Number of customers terminated from the program (by choice or default) during the reporting period;
- Number of customers who successfully completed the program during the reporting period;
- Total customer payments during the reporting period;
- Total amount to be forgiven for all participating customers at the end of the reporting period;
- Average amount to be forgiven for all participating customers at the end of the reporting period;
- Total amount to be paid under a payment plan for all participating customers at the end of the reporting period;
- Average arrears balance not yet forgiven of all participating customers at the end of the reporting period;
- Average arrears balance as a percentage of the total balance due for all participating customers at the end of the reporting period;
- Total amount of arrears outstanding for all participants at the end of the reporting period;
- Total amount of forgiveness credits (allowances) given during the reporting period;
- Number of forgiveness credits (allowances) given during the reporting period;
- Average amount of forgiveness credits (allowances) given during the reporting period;
- Number of participants receiving LIHEAP at the end of the reporting period;
- Percentage of participants receiving LIHEAP at the end of the reporting period; and
- Total LIHEAP payments received during the reporting period.

THE NARRAGANSETT ELECTRIC COMPANY
ARREARAGE MANAGEMENT PROGRAM PROVISION

The Company shall also provide a schedule with the number of customers enrolled in the AMP, by month, together with the number of defaults and program terminations.

XII. COST RECOVERY

The prices for Retail Delivery Service contained in all the rates of the Company are subject to adjustment to reflect an Arrearage Management Adjustment Factor (“AMAF”) designed to recover incremental costs incurred associated with the AMP. Incremental costs include, ~~but are not limited to,~~ the amount of arrearage forgiven ~~and any costs associated with implementation of, evaluation of and reporting on the effectiveness and results of the AMP.~~ The recovery of the arrearage amounts forgiven by the Company through the AMP is dependent on the following criteria:

- i. If a customer does not satisfy the conditions of R.I. Gen. Laws § 39-2-1(d)(2), the amount of arrearage forgiven by the Company to that point shall remain forgiven and be written off by the Company. However, the amount of arrearage forgiven by the Company is recoverable in full.
- ii. If a customer does satisfy the conditions of R.I. Gen. Laws § 39-2-1(d)(2), all arrearage amounts forgiven will be treated as bad debt. At the end of ~~the each~~ calendar year, the Company will perform a test to determine if the amount of bad debt for the year exceeds the adjusted allowable bad debt from the Company’s most recent general rate case. This adjusted allowable bad debt will be calculated using the distribution uncollectible amount determined in the last general rate case, updated for the current calendar year Standard Offer Service, transmission, and energy efficiency-related bad debt. Should the actual amount of bad debt incurred by the Company for the year exceed this adjusted allowable bad debt amount, the Company will be entitled to recover, in the following year, all amounts of arrearage forgiven under R.I. Gen. Laws § 39-2-1(d)(2)(xiv) in the prior year in excess of the allowable bad debt. If, however, the amount of the arrearage forgiven under § 39-2-1(d)(2)(xiv) in excess of the adjusted allowable bad debt for a given year is not significant enough to calculate an annual reconciling factor for that year, the Company may reflect such amount in its next Revenue Decoupling Mechanism reconciliation filing.

The AMAF shall be a uniform per kilowatt-hour factor based on the estimated kilowatt-hours to be delivered by the Company to its retail delivery customers over a 12-month period. For billing purposes, the AMAF will be included with the distribution kilowatt-hour charge on customers’ bills. Should any balance remain outstanding subsequent to the recovery of costs associated with the AMP as described above, the Company shall reflect this balance as an adjustment in the subsequent period.

XIII. ADJUSTMENT TO RATES

Adjustments to rates pursuant to the Arrears Management Program Provision are subject to review and approval by the PUC. Modifications to the factor contained in this Provision shall be made in accordance with a notice filed with the PUC pursuant to R.I. Gen. Laws § 39-3-11(a)

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setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.

| Effective Date: ~~October 1, 2016~~April 1, 2017

DISTRIBUTION ADJUSTMENT CLAUSE

1.0 GENERAL

1.1 Purpose:

The purpose of the Distribution Adjustment Clause (DAC) is to establish procedures that allow the Company, subject to the jurisdiction of the PUC, to annually adjust its rates for firm sales and transportation in order to recover, credit, or reconcile the following:

- (1) the system pressure costs;
- (2) the difference between the approved AGT factor revenue collections and actual AGT factor revenue collections;
- (3) the difference between the approved LIAP revenue collected through base rates for Large and Extra Large C&I customers and actual LIAP revenue collections for Large and Extra Large C&I customers;
- (4) the costs of the Infrastructure, Safety, and Reliability Plan;
- (5) the amortization of the most recent ten years of Environmental Response costs;
- (6) Pension costs and Post-retirement Benefits Other than Pensions expenses;
- (7) the margins from on-system non-firm sales and non-firm transportation services that are above or below an established dollar amount;
- (8) to credit any Service Quality Performance penalties;
- (9) any over or under collections of revenue under the Revenue Decoupling mechanism;
- (10) the previous year DAC items;
- (11) any Earnings Sharing; and
- (12) any Arrearage Management costs.

Any costs recovered through the application of the Distribution Adjustment Charge shall be identified and explained fully in the annual Distribution Adjustment Charge filing.

1.2 Applicability:

The Distribution Adjustment Charge will be applied to sales and transportation volumes under each of the Company's firm rate schedules.

The Company will make annual DAC filings and its annual Reconciliation filings based on actual costs and volumes available at the time of filing as well as forecasts of applicable costs and volumes through October of that year. With the exception of the Infrastructure, Safety and Reliability component described in section 3.4.2, the

DISTRIBUTION ADJUSTMENT CLAUSE

Distribution Adjustment Charge shall become effective with consumption as of November 1 each year.

Unless otherwise notified by the PUC, the Company shall submit the Distribution Adjustment Charge filings no later than 90 days before they are scheduled to take effect, provided however that the Revenue Decoupling Adjustment component of the Distribution Adjustment Charge filing will be made July 1 annually. The Annual Reconciliation filing will be made by August 1 of each year.

2.0 DISTRIBUTION ADJUSTMENT CHARGE:

The Distribution Adjustment Charge will consist of an annual System Pressure factor, an Advanced Gas Technology factor, a Low Income Assistance Programs factor, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Non-firm On-System Margin Credit factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, an Earnings Sharing Mechanism factor and an Arrearage Management Adjustment Factor (“AMAF”). The Distribution Adjustment Charge is calculated as follows:

$$DAC = SP + AGT + LIAP + ISR + ERCF + PAF + MC + SQP + RDA + AMAF + R + ESM$$

Where:

DAC	Distribution Adjustment Charge applicable to all firm throughput.
SP	System Pressure factor. See Item 3.1 for calculation.
AGT	Advanced Gas Technology factor. See Item 3.2 for calculation.
LIAP	Low Income Assistance Programs factor. See Item 3.3 for calculation.
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.4 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.5 for calculation.
PAF	Pension Adjustment Factor. See Item 3.6 for calculation.
MC	On-system Margin Credits related to Non-Firm Dual-Fuel customer margins. See Item 3.7 for calculation.

DISTRIBUTION ADJUSTMENT CLAUSE

- SQP Service Quality Performance Factor. See Item 3.8 for calculation.
- RDA Revenue Decoupling Adjustment factor. See Item 3.9 for calculation.
- R Reconciliation of deferred account balances as of October 31. See Item 4.0 for calculation.
- ESM Earnings Sharing Mechanism Factor. See Item 5.0 for calculation.
- AMAF Arrearage Management Adjustment Factor. See Item 3.10 for calculation.

The Distribution Adjustment Charge excluding RDA shall be increased by the uncollectible expense percentage approved in the most recent rate case proceeding.

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed on an annual basis utilizing a forecast of Liquefied Natural Gas (LNG) sendout comprised of the projected withdrawal of commodity costs, the projected inventory cost of LNG, demand costs and the average LNG inventory finance costs from the GCR filing for the November to October period based on the following formula:

$$SP = \frac{(WTC_{LNG} + INV_{LNG} + DM_{LNG} + INF_{LNG}) \times SP\%}{Dt_T}$$

Where:

- SP System Pressure Amount.
- WTC_{LNG} Forecasted withdrawal commodity costs.
- INV_{LNG} Forecasted inventory cost of LNG.
- DM_{LNG} Forecasted demand costs.
- INF_{LNG} Forecasted inventory finance costs.

DISTRIBUTION ADJUSTMENT CLAUSE

SP% Percent of local storage used to maintain system pressures, as established in the most recent rate case or DAC proceeding.
 Dt_T Forecasted annual firm throughput.

3.2 AGT Factor:

The Advanced Gas Technology factor will be computed on an annual basis utilizing the approved amount for AGT for the prior twelve month period ended March 31, except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period. The formula will be as follows:

$$AGT = \frac{AGT_B - AGT_{EMB}}{Dt_T}$$

Where:

AGT AGT Factor
 AGT_B Approved AGT budget
 Dt_T Forecasted annual firm throughput in dekatherms
 AGT_{EMB} AGT funding embedded in base rates, \$300,000

3.3 LIAP Factor:

The Low Income Assistance factor shall be computed on an annual basis utilizing the approved funding for low income programs, such as Low Income Heating Assistance and Low Income Weatherization, for the prior twelve month period ended March 31 except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period. The formula will be as follows:

$$LIAP = \frac{LIAP_B - LIAP_{EMB}}{Dt_T}$$

Where:

LIAP LIAP Factor

DISTRIBUTION ADJUSTMENT CLAUSE

LIAP _B	Approved low income program funding(s)
Dt _T	Forecasted annual firm throughput
LIAP _{EMB}	LIAP funding embedded in base rates, \$1,785,000; Consisting of \$1,585,000 of Low Income Heating Assistance and \$200,000 of Low Income Weatherization

3.4 Infrastructure, Safety and Reliability Plan:

3.4.1 Gas Infrastructure, Safety, and Reliability Plan Filing:

In compliance with R.I.G.L. Section 39-1-27.7.1, no later than January 1 of each year, the Company shall submit to the PUC a Gas Infrastructure, Safety, and Reliability Plan (Gas ISR Plan) for the upcoming fiscal year (April to March) for review and approval within 90 days. The Gas ISR Plan shall include the upcoming fiscal year’s forecasted capital investment on its gas distribution system infrastructure and may include any other costs relating to maintaining safety and reliability that have been mutually agreed upon by the Division and the Company.

3.4.2 Infrastructure, Safety and Reliability Factor:

Effective each April 1, the Company shall recover through a change in Distribution Adjustment Charge rates the Cumulative Revenue Requirement on the Adjusted Cumulative Non-growth Capital spending as approved by the Commission in the Company’s annual gas infrastructure, safety, and reliability filings less the amount included in rate base for base rate purposes. For purposes of this section, non-growth capital shall exclude general plant (FERC Accts 389 through 399). The Cumulative Revenue Requirement shall mean the return and taxes on year-end Adjusted Cumulative Non-growth Capital Spending, at a rate equal to the pre-tax weighted average cost of capital as approved by the Commission in the most recent distribution base rate proceeding, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the Commission in the Company’s most recent distribution base rate proceeding adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism as approved in the Settlement Agreement in Docket RIPUC 4323. The Adjusted Cumulative Non-growth Capital Spending shall mean the non-growth capital investment recorded since January 31, 2014 and reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment, included in rate base for base rate purposes, for the period April 1, 2011 through January 31, 2014, the end of the Company’s rate year in its general rate case in docket

DISTRIBUTION ADJUSTMENT CLAUSE

RIPUC 4323. Cumulative Revenue Requirements will reflect Adjusted Cumulative Non-Growth Capital Spending as defined above plus the associated retirements, cost of removal, accumulated depreciation, and accumulated deferred taxes.

All accumulated Gas ISR investments will be eligible for inclusion in rate base recovery through new rates set in the next base rate case.

The Company shall allocate the Cumulative Revenue Requirements to its rate classes based on the rate base allocation approved by the PUC in the Company’s most recent base distribution rate proceeding. Any other costs, including Operation and Maintenance expenses mutually agreed upon by the Division and the Company shall be allocated on a per unit basis.

3.4.3 Infrastructure, Safety and Reliability Factor: Reconciliation Mechanism:

The Company shall include an annual reconciliation mechanism associated with the ISR Factor designed to reconcile the actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to the actual billed revenue for the prior fiscal year. As part of its annual DAC filing, the Company shall submit by August 1 a reconciliation factor (either positive or negative) related to the ISR Factor recoveries and actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to take effect annually for the twelve months beginning November 1 each year.

3.5 Environmental Response Cost Factor (ERCF):

$$ERCF = \frac{\sum ERC_{yr_x} - ERC_{EMB}}{10 \cdot Dt_r}$$

Where:

ERC Environmental Response Costs as defined in Section 1, Schedule B Definitions

$\sum ERC_{yr_x}$ The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31 except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period and in the prior nine years.

DISTRIBUTION ADJUSTMENT CLAUSE

ERC_{EMB} Environmental Response Costs funding embedded in base rates, \$1,310,000.

Dt_T Forecasted annual firm throughput

In order to limit the bill impacts that could potentially result from the incurrence of environmental remediation costs, the ERC factor, calculated as described above, shall be limited to an increase of no more than \$0.10 per dekatherm in any annual DAC filing. If this limitation results in the Company recovering less than the amount that would otherwise be eligible for recovery in a particular year, then beginning on the date that the proposed ERC factor becomes effective, carrying costs shall accrue to the Company on the portion of the environmental remediation costs not included in the ERC factor as a result of this limitation. Such carrying costs shall accrue through the year in which such amount, together with accumulated carrying costs, are recovered from ratepayers. Any amounts so deferred shall be incorporated into the ERC factor in succeeding years consistent with the \$0.10 per dekatherm ERC factor annual increase limitation. Such carrying charges shall accrue at the Interest on Deferred Balance rate specified in Section 1, Schedule B of the Company's Definition section above.

3.6 Pension Adjustment Factor:

The Pension Adjustment Factor shall recover or refund the prior fiscal year's reconciliation of the Company's actual Pension and Post-retirement Benefits Other Than Pension (PBOP) expenses to the Company's Pension and PBOP expense allowance included in distribution base rates, including interest at the rate of interest paid on customer deposits. The PAF will be computed on an annual basis for the nine month period ending March 31, 2013 and thereafter for each twelve months ended March 31 and will be based on the difference in the Company's actual Pension and PBOP expense for the prior twelve month period ended March 31 and the distribution base rate allowance, plus carrying charges at the weighted average cost of capital on the cumulative five quarter average underfunding of the Pension and PBOP Minimum Funding Obligation for the fiscal year ended March 31. The Minimum Funding Obligation will be equal to the amount of Pension and PBOP costs collected from customers during the fiscal year, plus the amounts of Pension and PBOP costs capitalized during the year. The amount collected from customers during the fiscal year would include (1) Pension and PBOP allowance included in base rates, and (2) amounts collected or refunded through the PAF.

3.7 On-System Margin Credits:

DISTRIBUTION ADJUSTMENT CLAUSE

Each year, the Company will calculate the total non-firm customer margins, exclusive of Rhode Island Gross Earnings Tax for the twelve month period ending each March 31 beginning March 31, 2014. If that total exceeds a target revenue of \$1,800,000, the On-System Margin Credit shall be positive. If the total non-firm margins, exclusive of Rhode Island Gross Earnings Tax, for the twelve-month period ending March 31 are less than the target revenue of \$1,800,000, the On-System Margin Credit shall be negative. For the twelve month period ending March 31, 2013, the target will be prorated for the seven month period ending January 31, 2013 for the On-System Margin target in effect during that period (\$2,816,000) and actual firm and non-firm dual fuel Customer margins, (exclusive of Rhode Island Gross Earnings Tax) during that period and for the two month period ending March 31, 2013 during which the \$1.8 million target is in effect and actual non-firm customer margins, exclusive of Rhode Island Gross Earning Tax, during that period.

The On System Margin Credit is calculated as follows:

$$MC = \frac{NFCM - \$1,800,000}{Dt_T}$$

Where:

- MC On-System Margin Credit factor
- NFCM The non-firm customer margins exclusive of Rhode Island Gross Earnings Tax (GET) for the 12 months ending March 31.
- Dt_T Forecasted annual firm throughput

If in any year the Company is required to calculate the total Non-Firm Customer margins, exclusive of GET, for a period less than a twelve month period, then the Company will prorate the target threshold based upon the monthly 2011 non-firm revenue distribution and if the total exceeds that prorated target threshold the Non-Firm On-System Margin credit will be positive and if it is less than the prorated target the credit will be negative. In addition, if a non-firm customer who was active customer during calendar year 2011 migrates to firm service, the Company will reduce the margin threshold by the non-firm customer's actual 2011 calendar year usage multiplied by the applicable non-firm rate approved in RIPUC Docket 4323. Conversely, the Company will increase the margin threshold for firm customers who migrate to non-firm service based upon the customers most recent historical usage multiplied by the applicable non-firm service rate.

DISTRIBUTION ADJUSTMENT CLAUSE

3.8 Service Quality Performance Factor:

The Service Quality Performance (SQP) Factor will be used for crediting to customers any penalties reflected in the Company’s annual Service Quality Report.

3.9 Revenue Decoupling Adjustment Factor:

The Revenue Decoupling Adjustment (RDA) Factor shall be a credit or surcharge determined for all Residential rate classes and Small and Medium C&I rate classes as the sum of the March 31 Revenue Per Customer deferral ending balances for each rate class divided by the forecasted total annual firm throughput for those rate classes. The March deferral ending balance for each rate class shall result from the monthly calculation of the variance between a Target Revenue-per-Customer and the Actual Revenue Per Customer for the following periods: (1) the ten month period ending January 31, 2013, (2) the fourteen month period February 1, 2013 – March 31, 2014 and (3) each twelve month period ending March 31 thereafter. The deferral balance will be calculated as follows:

$$RDAF = \frac{\sum_{RC} (AEB_{M-1} + VR_M + INT_M)}{D_{TRC}}$$

Where:

RDAF Revenue Decoupling Adjustment Factor

\sum_{RC} The sum of the March 31 Revenue per Customer deferral ending balances for each of the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

AEB_{M-1} Account Ending Balance for prior month

VR_M Current month Variance
 = $(RPC_{TM} - RPC_{AM}) \times CUST_M$

RPC_{TM} For the period ending January 31, 2013, the Target Revenue per Customer will be based on targets

DISTRIBUTION ADJUSTMENT CLAUSE

established in Docket RIPUC 4206. Thereafter, Target Revenue per Customer will be based on class specific revenue per customer targets established in the most recent rate case. Target Revenue for Low-Income classes will reflect non-discounted revenue. Low-income class revenue and customers will be included with non-discounted revenue and customers for the purposes of setting the target.

RPC_{AM} Actual Revenue per Customer for current month calculated as actual base revenues divided by number of customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenues.

$CUST_M$ Number of customers in current month.

INT_M Interest on average monthly balance

$$= \frac{(AEB_{M-1} + VR_M) \times B_{AM}}{2}$$

B_{AM} Bank of America Prime minus 200 basis points

Dt_{RC} Forecasted annual firm throughput for the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

3.10 Arrearage Management Adjustment Factor (AMAF):

In compliance with R.I.G.L. § ~~39-1-27.12~~39-2-1(d)(2), the Company shall surcharge customers allowable amounts forgiven through the Arrearage Management Plan (AMP) over the prior calendar year as described in Section 7, Schedule C, Item 9.0 through the AMAF factor.

$$AMPC = \frac{AMPC}{Dt_T}$$

Where:

DISTRIBUTION ADJUSTMENT CLAUSE

AMPC Allowable arrearage management plan costs the Company may recover from firm sales customers in accordance with R.I.G.L. § 39-2-1(d)(2) and described in Section 7, Schedule C, Item 9.0.

Dt_T Forecasted annual firm throughput

4.0 DEFERRED DISTRIBUTION ADJUSTMENT COST ACCOUNT:

The Distribution Adjustment Cost Account shall include annual reconciliation for the twelve month period for the revenues and costs for the System Pressure factor, Advanced Gas Technology factor, LIAP factor, ISR factor, Environmental Response Costs factor, Pension Adjustment Factor, On-System Margin Credit factor, SQP factor, RDA factor, ESM factor, Arrearage Management Adjustment Factor, and a Previous Reconciliation factor, including a true-up for any prior year’s forecasted revenues and costs. Base rate related items (LIAP factor, Advanced Gas Technology factor, and Environmental Response cost factor) will be only be reconciled for those non-Revenue Decoupling rate classes (Large and Extra Large high load and low load factor rate classes). For each reconciliation component, a monthly rate based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account’s beginning and ending balance shall also apply.

5.0 EARNINGS SHARING MECHANISM:

The annual Earnings Sharing Mechanism (“ESM”) established in Docket No. 3401 will remain in place. The Earnings Sharing Mechanism Credit (“ESMC”) will be included with the September 1 DAC filing based on financial information for the 9-month period ending March 31, 2013 and for each 12 months period ending March 31 thereafter. For purposes of calculating earnings to be shared, the Company will be allowed to include its 50% share of net merger synergies resulting from the National Grid/KeySpan transactions, or \$2,450,000. Calculation of the ESMC is as follows:

$$ESMC = \frac{ESMF}{Dt_T}$$

Where:

DISTRIBUTION ADJUSTMENT CLAUSE

ESMF	Earnings Sharing Mechanism Fund is defined as the earnings subject to sharing and will be based on a return on equity of 10.5% for the seven month period ending January 31, 2013 and 9.5% for 2 month period ending March 31, 2013. Thereafter earnings subject to sharing will be based on a return on equity of 9.50%. Annual earnings over this return on equity, up to and including 100 basis points, being shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of this return on equity shall be shared 75% to customers and 25% to the Company.
Dt _T	Forecasted annual firm throughput

OTHER MISCELLANEOUS CHARGES**OPTIONAL CREDIT CARD PAYMENT PROVISION****1.0 AVAILABILITY:**

Customers of National Grid (National Grid or Company) have the option of paying their bills issued by National Grid through the use of a payment-processing agent (Third Party Vendor). Residential and non-residential customers, as determined by the Company's rate schedule designations, have the option to make payments by telephone or web page. The availability of this option will be subject to the Company's ability to arrange for such an option. This payment option is available to all of the Company's customers choosing to make payments to the Company through use of the Third Party Vendor-sponsored telephone or web page system. If there is a conflict between the PUC's Rules Governing the Acceptance of Credit Card Payments (the Rules) and this provision, the Rules shall govern.

2.0 PAYMENT TYPES:

The following payment methods shall be accepted under this provision:

1. Visa;
2. Mastercard;
3. American Express;
4. Discover;
5. Debit Cards issued by a financial institution which include a card association symbol such as Visa or MasterCard; and
6. Electronic Checks

3.0 FEES:

Customers choosing to make payments under this option will be assessed a fee directly by the Third Party Vendor for each payment the customer initiates. The fee to be charged by the Third Party Vendor is based on whether the customer making the payment is a residential customer or a non-residential customer and the number of payment transactions made. The customer must initiate each payment transaction. Initiating one payment transaction does not establish future payment transactions for a customer.

Residential Fees:

The residential fee per payment transaction, up to a maximum transaction amount of \$600 is \$2.25. The Third Party Vendor will assess a fee of \$2.25 per transaction for any additional payment transactions up to \$600 each.

OTHER MISCELLANEOUS CHARGES

OPTIONAL CREDIT CARD PAYMENT PROVISION

Non-Residential Fees:

The non-residential fee per payment transaction, up to a maximum transaction amount of \$1,000, is \$6.95. The Third Party Vendor will assess a fee of \$6.95 per transaction for any additional payment transactions up to \$1,000 each.

4.0 PAYMENT AMOUNT:

Customers who choose to make payments under this provision shall have the ability to make partial payments. Additionally, the Company shall not deny a customer's use of these payment options because the customer's account with the Company is past due.

5.0 COMPANY OBLIGATION:

The payment transaction shall occur between the customer and the Third Party Vendor. The Company shall provide information regarding the Third Party Vendor's payment systems to assist its customers who choose to make payments by telephone or web page. The Company shall assist its customers in the resolution of any disputes between customers and the Third Party Vendor involving the credits posted by the Company to customers' accounts as a result of the processing of customer payments under this provision. The Company has no obligation, however, to participate in any dispute involving matters strictly between the customer and the Third Party Vendor or the customer's bank or card issuer.

6.0 TERMS & CONDITIONS:

The Company's Terms & Conditions, as may be amended from time to time, where not inconsistent with any specific provisions hereof, are a part of this provision.

OTHER MISCELLANEOUS CHARGES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM ENHANCEMENT PLAN CHARGE

7.0 LOW INCOME HOME ENERGY ASSISTANCE ENHANCEMENT PLAN (LIHEAP) CHARGE:

In accordance with R.I.G.L. § 39-1-27.12, the Company shall bill monthly to all customers a Low Income Home Energy Assistance Enhancement Plan charge (“LIHEAP Charge”) approved by the PUC, provided however that the annual charge shall not exceed \$10 per customer, per year. For purposes of this section a “customer” is defined as any person taking service at a single point of gas delivery or gas meter.

The monthly rate for the LIHEAP Charge is \$0.81 per customer and shall appear as a separate line item on a customer’s bill.

7.1 LIHEAP Enhancement Fund:

The Company shall establish a LIHEAP Enhancement Plan fund that shall be used to account for the combined funds collected through the LIHEAP Charge from both gas and electric service customers. The Rhode Island Department of Human Services (“DHS”) shall designate to the Company the qualifying customer accounts and the amounts to be credited from the LIHEAP Enhancement Plan fund. The cumulative amount of credits applied to customer bills will be limited to an amount no greater than the cumulative aggregate projected LIHEAP Charges billed through the end of the current calendar year. Once the aggregate credits applied to customer bills equals the aggregate projected LIHEAP Charges billed through the end of the current calendar year, including interest as defined below, the application of the LIHEAP Enhancement Plan credits would cease. Any difference in aggregate cumulative actual LIHEAP Charges billed and aggregate cumulative credits applied to customer bills, will accrue interest at the customer deposit interest rate.

The projected annual revenue in the LIHEAP Enhancement Plan fund collected through the gas and electric service LIHEAP Enhancement Plan charges shall not exceed seven million five hundred thousand dollars (\$7,500,000) and shall not be less than six million five hundred thousand dollars (\$6,500,000).

Beginning on September 1, 2016 and monthly thereafter between April 15 and September 30 of each year, the Company will set aside a minimum of 5 percent of the funds collected through the LIHEAP Enhancement Plan, to be allocated to provide assistance to customers seeking LIHEAP certification for the sole purpose of entering into the Arrearage Management Program (“AMP”) as described in R.I.G.L. § 39-2-1(d)(2). This fund is designated for homeless families or individuals who are transitioning from a

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**LOW INCOME HOME ENERGY ASSISTANCE PROGRAM ENHANCEMENT PLAN
CHARGE**

shelter into housing who provide acceptable documentation to DHS. Remaining funds available after September 30 of each year will be eligible for use in the upcoming winter season.

7.2 LIHEAP Eligible Customer:

For purposes of receiving funds from the LIHEAP Enhancement fund in subpart 7.1 above, a qualifying LIHEAP eligible customer shall be a household with a combined gross income equal to or less than 60 percent of the state median household income as calculated by the U.S. Bureau of Census and as adjusted for family or group size by the U.S. Department of Health and Human Services regulation 45 CFR § 96.85 or its successor regulation.

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PAPERLESS BILL CREDIT

8.0 PAPERLESS BILL CREDIT:

Customers receiving bills may elect to receive their bill electronically. Customers electing to receive their bills electronically will receive a paperless billing credit of \$0.34 each month per account.

OTHER MISCELLANEOUS CHARGES**ARREARAGE MANAGEMENT PROGRAM PROVISION****9.0 ARREARAGE MANAGEMENT PROGRAM:**

In accordance with R.I.G.L. § 39-2-1(d)(2), commencing on September 1, 2016, the Company shall implement an Arrearage Management Program (“AMP”) pursuant to this tariff provision.

I. PROGRAM ELIGIBILITY

In order to be considered eligible for enrollment in the AMP, a customer who has been terminated from gas service or is recognized, pursuant to a rule or decision by the Division of Public Utilities and Carriers, as being scheduled for actual shut-off of service on a specific date, shall meet all of the following criteria:

- The applicant must be the customer of record, although the customer of record may authorize someone else to communicate with the Company to help enroll the customer of record in the AMP;
- The applicant must be eligible for the federal low-income home energy assistance program (“LIHEAP”);
- The account must be receiving retail delivery service on the Company’s Residential Low-Income Rate 11;
- The customer’s account must have a minimum balance of \$300.00 that is more than 60 days past due;
- If service to the account has been terminated, the customer must make an initial payment of 25% of the total unpaid balance (current and past due), unless otherwise directed by the Public Utilities Commission (“PUC”) as a result of an emergency regulation;
- The customer must agree to a payment plan, as further described in Section III;
- The customer must agree to remain current with payments. “Remaining current” means that the customer:
 - 1) misses no more than two (2) payments in the 12-month term of the payment plan; and
 - 2) pays the amount due under the payment plan in full by the conclusion of the payment plan’s 12-month term;
- The customer must agree to participate in the Company’s Energy Efficiency programs; and

OTHER MISCELLANEOUS CHARGES

ARREARAGE MANAGEMENT PROGRAM PROVISION

- The customer must apply for other available energy assistance programs, such as fuel assistance and weatherization.

II. ENROLLMENT

To participate, the customer must affirmatively apply to participate in the AMP.

The Company shall administer the AMP enrollment process in compliance with the eligibility qualifications outlined in Section I. By applying to participate in the AMP, the customer agrees to comply with the terms of the AMP, including the customer's specific payment plan. After a customer has applied to the AMP, the Company shall determine whether the customer has met all of the AMP eligibility criteria set forth in Section I, based on the Company's records. The Company will coordinate with the Community Action Program ("CAP") agencies to validate customer eligibility when appropriate.

III. PAYMENT PLAN

AMP participants shall enroll in a 12-month payment plan, paid in equal monthly installments, that will cover new charges based upon their current estimated annual usage ("Payment Plan").

The current component of the Payment Plan shall be based on the customer's average monthly usage for the previous year less the customer's actual or anticipated fuel assistance commitments, and shall be converted to a fixed monthly payment.

IV. ARREARS FORGIVENESS

AMP participants will be eligible for forgiveness of their account balance that is past due at the time of the first bill under their Payment Plan, up to an annual maximum of \$1,500. With each payment under the Payment Plan, a portion of the participant's outstanding past due account balance as described above is forgiven in an amount equal to the total past due account balance or \$1,500, whichever is less, divided by 12; provided, however, that the annual arrearage forgiveness amount shall not exceed \$1,500.

If an AMP participant's past due account balance at the time their Payment Plan takes effect exceeds \$1,500, the AMP participant may request an extension of the Payment Plan beyond the initial 12-month term to establish a new Payment Plan to accommodate the additional account balance in excess of \$1,500. To be eligible for an extension, the AMP participant must be current with their Payment Plan at the conclusion of the initial 12-month term.

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ARREARAGE MANAGEMENT PROGRAM PROVISION

V. PAYMENT PLAN REVIEW

Customers applying to participate in the AMP will be advised that the amount of their required monthly payment under their Payment Plan may change over the lifetime of the Payment Plan.

The Company shall review the Payment Plans of active AMP participants every three months and may adjust the installment payments based on the following:

- A fuel assistance commitment is made subsequent to enrollment;
- There is a change in fuel assistance, such as a change in the amount, from what was understood at enrollment;
- The customer moves to a new address with a different average monthly usage for the previous year;
- Actual usage patterns differ from what was estimated as annual usage at enrollment; or
- There is a significant change in the Company's rates from what was anticipated at enrollment.

VI. DEFAULT

The Company shall consider the AMP participant's billing account in default if either of the following occurs:

- The AMP participant misses more than two (2) payments in the 12-month Payment Plan term; or
- If the amount due under the Payment Plan is not paid in full by the conclusion of the 12-month Payment Plan term.

Upon default, the Company shall terminate an AMP participant from the AMP and the customer's unpaid balance will be due and payable in full. However, any arrearage forgiven under the AMP prior to termination of participation in the AMP will remain forgiven.

Customers shall have the option to opt out of continued participation in the AMP at any time, with the understanding that any unpaid balance will be due and payable in full. Customers who voluntarily opt out of the AMP will receive the same treatment as those customers who default on their Payment Plans under the AMP, as set forth in Section X (Subsequent Eligibility).

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ARREARAGE MANAGEMENT PROGRAM PROVISION

VII. TERMINATION

In addition to termination upon default, a customer's participation in the AMP shall terminate if either of the following occurs:

- The AMP participant moves outside of the Company's service territory; or
- The AMP participant moves from one service location to another service location.

If a customer is terminated from AMP participation, the customer's unpaid balance will be due and payable in full. However, any arrearage forgiven under the AMP prior to termination of participation in the AMP will remain forgiven.

VIII. COLLECTION ACTIVITY

AMP participants shall not be subject to the Company's normal collections activities while actively participating in the AMP. The Company shall resume normal collections activities if an AMP participant defaults while participating in the AMP or terminates the AMP.

IX. AMP BILLING AND ACTIVE PLAN NOTICING

The Company shall remove the amount of an AMP participant's arrears balance up to \$1,500 from the "current amount due" field on certain views of AMP participant accounts in the Company's billing system. However, the arrears balance up to \$1,500 shall remain on the customer's bill.

Customers who are enrolled in the AMP will receive an AMP "Enrollment Letter" outlining the terms and conditions of their participation in the AMP.

Customers in danger of defaulting from the AMP will receive a default letter advising them of the need to make all required payments or risk default, termination from the AMP, and a return to the Company's normal collections activities.

X. SUBSEQUENT ELIGIBILITY

A customer is eligible for subsequent enrollment in the AMP provided two years have passed since either (a) the date of the customer's successful completion of the AMP, or (b) the date on which the customer's participation in the AMP was terminated as a result of default or because the customer voluntarily opted out of the AMP, so long as a CAP agency has provided a recommendation to allow eligibility notwithstanding the customer's default or voluntary opt out of the AMP. The Company shall review requests for re-enrollment on a case-by-case basis to determine that the foregoing criteria are met.

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ARREARAGE MANAGEMENT PROGRAM PROVISION

XI. REPORTING METRICS

The Company shall report monthly and annually the metrics below to allow for the evaluation of the effectiveness of the AMP. The monthly and annual reports shall be submitted to the PUC in Docket No. 4290.

- Number of customers enrolled in the program at the end of the reporting period;
- Number of customers added to the program during the reporting period;
- Number of customers terminated from the program (by choice or default) during the reporting period;
- Number of customers who successfully completed the program during the reporting period;
- Total customer payments during the reporting period;
- Total amount to be forgiven for all participating customers at the end of the reporting period;
- Average amount to be forgiven for all participating customers at the end of the reporting period;
- Total amount to be paid under a payment plan for all participating customers at the end of the reporting period;
- Average arrears balance not yet forgiven of all participating customers at the end of the reporting period;
- Average arrears balance as a percentage of the total balance due for all participating customers at the end of the reporting period;
- Total amount of arrears outstanding for all participants at the end of the reporting period;
- Total amount of forgiveness credits (allowances) given during the reporting period;
- Number of forgiveness credits (allowances) given during the reporting period;
- Average amount of forgiveness credits (allowances) given during the reporting period;
- Number of participants receiving LIHEAP at the end of the reporting period;
- Percentage of participants receiving LIHEAP at the end of the reporting period; and
- Total LIHEAP payments received during the reporting period.

The Company shall also provide a schedule with the number of customers enrolled in the AMP, by month, together with the number of defaults and program terminations.

XII. COST RECOVERY

The prices for Delivery Charges contained in all the rates of the Company are subject to adjustment to reflect an Arrearage Management Adjustment Factor (“AMAF”) designed to recover incremental costs incurred associated with the AMP. Incremental costs include, ~~but are~~

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ARREARAGE MANAGEMENT PROGRAM PROVISION

~~not limited to,~~ the amount of arrearage forgiven ~~and any costs associated with implementation of, evaluation of and reporting on the effectiveness and results of the AMP.~~ The recovery of the arrearage amounts forgiven by the Company through the AMP is dependent on the following criteria:

- i. If a customer does not satisfy the conditions of R.I.G.L. § 39-2-1(d)(2), the amount of arrearage forgiven by the Company to that point shall remain forgiven and be written off by the Company. However, the amount of arrearage forgiven by the Company is recoverable in full.
- ii. If a customer does satisfy the conditions of R.I.G.L. § 39-2-1(d)(2), all arrearage amounts forgiven will be treated as bad debt. At the end of ~~the~~each calendar year, the Company will perform a test to determine if the amount of bad debt for the year exceeds the adjusted allowable bad debt from the Company's most recent general rate case. This adjusted allowable bad debt will be calculated using the distribution uncollectible amount determined in the last general rate case, updated for the current calendar year Gas Cost Recovery, Distribution Adjustment ~~Clause~~charges ("DAC"), commodity, and energy efficiency-related bad debt. Should the actual amount of bad debt incurred by the Company for the year exceed this adjusted allowable bad debt amount, the Company will be entitled to recover, in the following year, all amounts of arrearage forgiven under R.I. Gen. Laws § 39-2-1(d)(2)(xiv) in the prior year in excess of the allowable bad debt. If, however, the amount of the arrearage forgiven under § 39-2-1(d)(2)(xiv) in excess of the adjusted allowable bad debt for a given year is not significant enough to calculate an annual reconciling factor for that year, the Company may reflect such amount in its next Revenue Decoupling Mechanism reconciliation filing.

The AMAF shall be a uniform per therm factor based on the estimated therms to be delivered by the Company to its gas customers over a 12-month period. For billing purposes, the AMAF will be included with the DAC charge on customers' bills. Should any balance remain outstanding subsequent to the recovery of costs associated with the AMP as described above, the Company shall reflect this balance as an adjustment in the subsequent period.

XIII. ADJUSTMENT TO RATES

Adjustments to rates pursuant to the Arrears Management Program Provision are subject to review and approval by the PUC. Modifications to the factor contained in this Provision shall be made in accordance with a notice filed with the PUC pursuant to R.I.G.L. § 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.

**THE NARRAGANSETT ELECTRIC COMPANY
ARREARAGE MANAGEMENT PROGRAM PROVISION**

In accordance with R.I. Gen. Laws § 39-2-1(d)(2), commencing on September 1, 2016, the Company shall implement an Arrearage Management Program (“AMP”) pursuant to this tariff provision.

I. PROGRAM ELIGIBILITY

In order to be considered eligible for enrollment in the AMP, a customer who has been terminated from electric service or is recognized, pursuant to a rule or decision by the Division of Public Utilities and Carriers, as being scheduled for actual shut-off of service on a specific date, shall meet all of the following criteria:

- The applicant must be the customer of record;
- The applicant must be eligible for the federal low-income home energy assistance program (“LIHEAP”);
- The account must be receiving retail delivery service on the Company’s Residential Low-Income Rate A-60;
- The customer’s account must have a minimum balance of \$300.00 that is more than 60 days past due;
- If service to the account has been terminated, the customer must make an initial payment of 25% of the total unpaid balance (current and past due), unless otherwise directed by the Public Utilities Commission (“PUC”) as a result of an emergency regulation;
- The customer must agree to a payment plan, as further described in Section III;
- The customer must agree to remain current with payments. “Remaining current” means that the customer:
 - 1) misses no more than two (2) payments in the 12-month term of the payment plan; and
 - 2) pays the amount due under the payment plan in full by the conclusion of the payment plan’s 12-month term;
- The customer must agree to participate in the Company’s Energy Efficiency programs; and
- The customer must apply for other available energy assistance programs, such as fuel assistance and weatherization.

II. ENROLLMENT

To participate, the customer must affirmatively apply to participate in the AMP.

The Company shall administer the AMP enrollment process in compliance with the eligibility qualifications outlined in Section I. By applying to participate in the AMP, the customer agrees to comply with the terms of the AMP, including the customer’s specific payment plan. After a customer has applied to the AMP, the Company shall determine whether

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the customer has met all of the AMP eligibility criteria set forth in Section I, based on the Company's records. The Company will coordinate with the Community Action Program ("CAP") agencies to validate customer eligibility when appropriate.

III. PAYMENT PLAN

AMP participants shall enroll in a 12-month payment plan, paid in equal monthly installments, that will cover new charges based upon their current estimated annual usage ("Payment Plan").

The current component of the Payment Plan shall be based on the customer's average monthly usage for the previous year less the customer's actual or anticipated fuel assistance commitments, and shall be converted to a fixed monthly payment.

IV. ARREARS FORGIVENESS

AMP participants will be eligible for forgiveness of their account balance that is past due at the time of the first bill under their Payment Plan, up to an annual maximum of \$1,500. With each payment under the Payment Plan, a portion of the participant's outstanding past due account balance as described above is forgiven in an amount equal to the total past due account balance or \$1,500, whichever is less, divided by 12; provided, however, that the annual arrearage forgiveness amount shall not exceed \$1,500.

If an AMP participant's past due account balance at the time their Payment Plan takes effect exceeds \$1,500, the AMP participant may request an extension of the Payment Plan beyond the initial 12-month term to establish a new Payment Plan to accommodate the additional account balance in excess of \$1,500. To be eligible for an extension, the AMP participant must be current with their Payment Plan at the conclusion of the initial 12-month term.

V. PAYMENT PLAN REVIEW

Customers applying to participate in the AMP will be advised that the amount of their required monthly payment under their Payment Plan may change over the lifetime of the Payment Plan.

The Company shall review the Payment Plans of active AMP participants every three months and may adjust the installment payments based on the following:

- A fuel assistance commitment is made subsequent to enrollment;
- There is a change in fuel assistance, such as a change in the amount, from what was understood at enrollment;
- The customer moves to a new address with a different average monthly usage for the previous year;
- Actual usage patterns differ from what was estimated as annual usage at enrollment; or

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- There is a significant change in the Company's rates from what was anticipated at enrollment.

VI. DEFAULT

The Company shall consider the AMP participant's billing account in default if either of the following occurs:

- The AMP participant misses more than two (2) payments in the 12-month Payment Plan term; or
- If the amount due under the Payment Plan is not paid in full by the conclusion of the 12-month Payment Plan term.

Upon default, the Company shall terminate an AMP participant from the AMP and the customer's unpaid balance will be due and payable in full. However, any arrearage forgiven under the AMP prior to termination of participation in the AMP will remain forgiven.

Customers shall have the option to opt out of continued participation in the AMP at any time, with the understanding that any unpaid balance will be due and payable in full and the customer may be ineligible for future participation in the AMP.

VII. TERMINATION

In addition to termination upon default, a customer's participation in the AMP shall terminate if the AMP participant moves outside of the Company's service territory.

If a customer is terminated from AMP participation, the customer's unpaid balance will be due and payable in full. However, any arrearage forgiven under the AMP prior to termination of participation in the AMP will remain forgiven.

VIII. COLLECTION ACTIVITY

AMP participants shall not be subject to the Company's normal collections activities while actively participating in the AMP. The Company shall resume normal collections activities if an AMP participant defaults while participating in the AMP or terminates the AMP.

IX. AMP BILLING AND ACTIVE PLAN NOTICING

The Company shall remove the amount of an AMP participant's arrears balance up to \$1,500 from the "current amount due" field on certain views of AMP participant accounts in the Company's billing system. However, the arrears balance up to \$1,500 shall remain on the customer's bill.

Customers who are enrolled in the AMP will receive an AMP "Enrollment Letter" outlining the terms and conditions of their participation in the AMP.

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Customers in danger of defaulting from the AMP will receive a default letter advising them of the need to make all required payments or risk default, termination from the AMP, and a return to the Company's normal collections activities.

X. SUBSEQUENT ELIGIBILITY

A customer is eligible for subsequent enrollment in the AMP provided two years have passed since either (a) the date of the customer's successful completion of the AMP, or (b) the date on which the customer's participation in the AMP was terminated as a result of default, provided, however, a CAP agency has provided a recommendation to allow eligibility notwithstanding the customer's default. The Company shall review requests for re-enrollment on a case-by-case basis.

XI. REPORTING METRICS

The Company shall report monthly and annually the metrics below to allow for the evaluation of the effectiveness of the AMP. The monthly and annual reports shall be submitted to the PUC in Docket No. 4290.

- Number of customers enrolled in the program at the end of the reporting period;
- Number of customers added to the program during the reporting period;
- Number of customers terminated from the program (by choice or default) during the reporting period;
- Number of customers who successfully completed the program during the reporting period;
- Total customer payments during the reporting period;
- Total amount to be forgiven for all participating customers at the end of the reporting period;
- Average amount to be forgiven for all participating customers at the end of the reporting period;
- Total amount to be paid under a payment plan for all participating customers at the end of the reporting period;
- Average arrears balance not yet forgiven of all participating customers at the end of the reporting period;
- Average arrears balance as a percentage of the total balance due for all participating customers at the end of the reporting period;
- Total amount of arrears outstanding for all participants at the end of the reporting period;
- Total amount of forgiveness credits (allowances) given during the reporting period;
- Number of forgiveness credits (allowances) given during the reporting period;
- Average amount of forgiveness credits (allowances) given during the reporting period;
- Number of participants receiving LIHEAP at the end of the reporting period;
- Percentage of participants receiving LIHEAP at the end of the reporting period; and
- Total LIHEAP payments received during the reporting period.

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The Company shall also provide a schedule with the number of customers enrolled in the AMP, by month, together with the number of defaults and program terminations.

XII. COST RECOVERY

The prices for Retail Delivery Service contained in all the rates of the Company are subject to adjustment to reflect an Arrearage Management Adjustment Factor (“AMAF”) designed to recover incremental costs incurred associated with the AMP. Incremental costs include the amount of arrearage forgiven. The recovery of the arrearage amounts forgiven by the Company through the AMP is dependent on the following criteria:

- i. If a customer does not satisfy the conditions of R.I. Gen. Laws § 39-2-1(d)(2), the amount of arrearage forgiven by the Company to that point shall remain forgiven and be written off by the Company. However, the amount of arrearage forgiven by the Company is recoverable in full.
- ii. If a customer does satisfy the conditions of R.I. Gen. Laws § 39-2-1(d)(2), all arrearage amounts forgiven will be treated as bad debt. At the end of each calendar year, the Company will perform a test to determine if the amount of bad debt for the year exceeds the adjusted allowable bad debt from the Company’s most recent general rate case. This adjusted allowable bad debt will be calculated using the distribution uncollectible amount determined in the last general rate case, updated for the current calendar year Standard Offer Service, transmission, and energy efficiency-related bad debt. Should the actual amount of bad debt incurred by the Company for the year exceed this adjusted allowable bad debt amount, the Company will be entitled to recover, in the following year, all amounts of arrearage forgiven under R.I. Gen. Laws § 39-2-1(d)(2)(xiv) in the prior year in excess of the allowable bad debt. If, however, the amount of the arrearage forgiven under § 39-2-1(d)(2)(xiv) in excess of the adjusted allowable bad debt for a given year is not significant enough to calculate an annual reconciling factor for that year, the Company may reflect such amount in its next Revenue Decoupling Mechanism reconciliation filing.

The AMAF shall be a uniform per kilowatt-hour factor based on the estimated kilowatt-hours to be delivered by the Company to its retail delivery customers over a 12-month period. For billing purposes, the AMAF will be included with the distribution kilowatt-hour charge on customers’ bills. Should any balance remain outstanding subsequent to the recovery of costs associated with the AMP as described above, the Company shall reflect this balance as an adjustment in the subsequent period.

XIII. ADJUSTMENT TO RATES

Adjustments to rates pursuant to the Arrears Management Program Provision are subject to review and approval by the PUC. Modifications to the factor contained in this Provision shall be made in accordance with a notice filed with the PUC pursuant to R.I. Gen. Laws § 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.

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Effective Date: April 1, 2017

DISTRIBUTION ADJUSTMENT CLAUSE

1.0 GENERAL

1.1 Purpose:

The purpose of the Distribution Adjustment Clause (DAC) is to establish procedures that allow the Company, subject to the jurisdiction of the PUC, to annually adjust its rates for firm sales and transportation in order to recover, credit, or reconcile the following:

- (1) the system pressure costs;
- (2) the difference between the approved AGT factor revenue collections and actual AGT factor revenue collections;
- (3) the difference between the approved LIAP revenue collected through base rates for Large and Extra Large C&I customers and actual LIAP revenue collections for Large and Extra Large C&I customers;
- (4) the costs of the Infrastructure, Safety, and Reliability Plan;
- (5) the amortization of the most recent ten years of Environmental Response costs;
- (6) Pension costs and Post-retirement Benefits Other than Pensions expenses;
- (7) the margins from on-system non-firm sales and non-firm transportation services that are above or below an established dollar amount;
- (8) to credit any Service Quality Performance penalties;
- (9) any over or under collections of revenue under the Revenue Decoupling mechanism;
- (10) the previous year DAC items;
- (11) any Earnings Sharing; and
- (12) any Arrearage Management costs.

Any costs recovered through the application of the Distribution Adjustment Charge shall be identified and explained fully in the annual Distribution Adjustment Charge filing.

1.2 Applicability:

The Distribution Adjustment Charge will be applied to sales and transportation volumes under each of the Company's firm rate schedules.

The Company will make annual DAC filings and its annual Reconciliation filings based on actual costs and volumes available at the time of filing as well as forecasts of applicable costs and volumes through October of that year. With the exception of the Infrastructure, Safety and Reliability component described in section 3.4.2, the

DISTRIBUTION ADJUSTMENT CLAUSE

Distribution Adjustment Charge shall become effective with consumption as of November 1 each year.

Unless otherwise notified by the PUC, the Company shall submit the Distribution Adjustment Charge filings no later than 90 days before they are scheduled to take effect, provided however that the Revenue Decoupling Adjustment component of the Distribution Adjustment Charge filing will be made July 1 annually. The Annual Reconciliation filing will be made by August 1 of each year.

2.0 DISTRIBUTION ADJUSTMENT CHARGE:

The Distribution Adjustment Charge will consist of an annual System Pressure factor, an Advanced Gas Technology factor, a Low Income Assistance Programs factor, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Non-firm On-System Margin Credit factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, an Earnings Sharing Mechanism factor and an Arrearage Management Adjustment Factor (“AMAF”). The Distribution Adjustment Charge is calculated as follows:

$$DAC = SP + AGT + LIAP + ISR + ERCF + PAF + MC + SQP + RDA + AMAF + R + ESM$$

Where:

DAC	Distribution Adjustment Charge applicable to all firm throughput.
SP	System Pressure factor. See Item 3.1 for calculation.
AGT	Advanced Gas Technology factor. See Item 3.2 for calculation.
LIAP	Low Income Assistance Programs factor. See Item 3.3 for calculation.
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.4 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.5 for calculation.
PAF	Pension Adjustment Factor. See Item 3.6 for calculation.
MC	On-system Margin Credits related to Non-Firm Dual-Fuel customer margins. See Item 3.7 for calculation.

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- SQP Service Quality Performance Factor. See Item 3.8 for calculation.
- RDA Revenue Decoupling Adjustment factor. See Item 3.9 for calculation.
- R Reconciliation of deferred account balances as of October 31. See Item 4.0 for calculation.
- ESM Earnings Sharing Mechanism Factor. See Item 5.0 for calculation.
- AMAF Arrearage Management Adjustment Factor. See Item 3.10 for calculation.

The Distribution Adjustment Charge excluding RDA shall be increased by the uncollectible expense percentage approved in the most recent rate case proceeding.

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed on an annual basis utilizing a forecast of Liquefied Natural Gas (LNG) sendout comprised of the projected withdrawal of commodity costs, the projected inventory cost of LNG, demand costs and the average LNG inventory finance costs from the GCR filing for the November to October period based on the following formula:

$$SP = \frac{(WTC_{LNG} + INV_{LNG} + DM_{LNG} + INF_{LNG}) \times SP\%}{Dt_T}$$

Where:

- SP System Pressure Amount.
- WTC_{LNG} Forecasted withdrawal commodity costs.
- INV_{LNG} Forecasted inventory cost of LNG.
- DM_{LNG} Forecasted demand costs.
- INF_{LNG} Forecasted inventory finance costs.

DISTRIBUTION ADJUSTMENT CLAUSE

SP% Percent of local storage used to maintain system pressures, as established in the most recent rate case or DAC proceeding.
 Dt_T Forecasted annual firm throughput.

3.2 AGT Factor:

The Advanced Gas Technology factor will be computed on an annual basis utilizing the approved amount for AGT for the prior twelve month period ended March 31, except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period. The formula will be as follows:

$$AGT = \frac{AGT_B - AGT_{EMB}}{Dt_T}$$

Where:

AGT AGT Factor
 AGT_B Approved AGT budget
 Dt_T Forecasted annual firm throughput in dekatherms
 AGT_{EMB} AGT funding embedded in base rates, \$300,000

3.3 LIAP Factor:

The Low Income Assistance factor shall be computed on an annual basis utilizing the approved funding for low income programs, such as Low Income Heating Assistance and Low Income Weatherization, for the prior twelve month period ended March 31 except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period. The formula will be as follows:

$$LIAP = \frac{LIAP_B - LIAP_{EMB}}{Dt_T}$$

Where:

LIAP LIAP Factor

DISTRIBUTION ADJUSTMENT CLAUSE

LIAP _B	Approved low income program funding(s)
Dt _T	Forecasted annual firm throughput
LIAP _{EMB}	LIAP funding embedded in base rates, \$1,785,000; Consisting of \$1,585,000 of Low Income Heating Assistance and \$200,000 of Low Income Weatherization

3.4 Infrastructure, Safety and Reliability Plan:

3.4.1 Gas Infrastructure, Safety, and Reliability Plan Filing:

In compliance with R.I.G.L. Section 39-1-27.7.1, no later than January 1 of each year, the Company shall submit to the PUC a Gas Infrastructure, Safety, and Reliability Plan (Gas ISR Plan) for the upcoming fiscal year (April to March) for review and approval within 90 days. The Gas ISR Plan shall include the upcoming fiscal year's forecasted capital investment on its gas distribution system infrastructure and may include any other costs relating to maintaining safety and reliability that have been mutually agreed upon by the Division and the Company.

3.4.2 Infrastructure, Safety and Reliability Factor:

Effective each April 1, the Company shall recover through a change in Distribution Adjustment Charge rates the Cumulative Revenue Requirement on the Adjusted Cumulative Non-growth Capital spending as approved by the Commission in the Company's annual gas infrastructure, safety, and reliability filings less the amount included in rate base for base rate purposes. For purposes of this section, non-growth capital shall exclude general plant (FERC Accts 389 through 399). The Cumulative Revenue Requirement shall mean the return and taxes on year-end Adjusted Cumulative Non-growth Capital Spending, at a rate equal to the pre-tax weighted average cost of capital as approved by the Commission in the most recent distribution base rate proceeding, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the Commission in the Company's most recent distribution base rate proceeding adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism as approved in the Settlement Agreement in Docket RIPUC 4323. The Adjusted Cumulative Non-growth Capital Spending shall mean the non-growth capital investment recorded since January 31, 2014 and reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment, included in rate base for base rate purposes, for the period April 1, 2011 through January 31, 2014, the end of the Company's rate year in its general rate case in docket

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RIPUC 4323. Cumulative Revenue Requirements will reflect Adjusted Cumulative Non-Growth Capital Spending as defined above plus the associated retirements, cost of removal, accumulated depreciation, and accumulated deferred taxes.

All accumulated Gas ISR investments will be eligible for inclusion in rate base recovery through new rates set in the next base rate case.

The Company shall allocate the Cumulative Revenue Requirements to its rate classes based on the rate base allocation approved by the PUC in the Company’s most recent base distribution rate proceeding. Any other costs, including Operation and Maintenance expenses mutually agreed upon by the Division and the Company shall be allocated on a per unit basis.

3.4.3 Infrastructure, Safety and Reliability Factor: Reconciliation Mechanism:

The Company shall include an annual reconciliation mechanism associated with the ISR Factor designed to reconcile the actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to the actual billed revenue for the prior fiscal year. As part of its annual DAC filing, the Company shall submit by August 1 a reconciliation factor (either positive or negative) related to the ISR Factor recoveries and actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to take effect annually for the twelve months beginning November 1 each year.

3.5 Environmental Response Cost Factor (ERCF):

$$ERCF = \frac{\sum ERC_{yr_x} - ERC_{EMB}}{10 \cdot Dt_r}$$

Where:

ERC Environmental Response Costs as defined in Section 1, Schedule B Definitions

$\sum ERC_{yr_x}$ The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31 except for the first reconciliation period after the approval of Docket RIPUC 4323 which will be based on a stub period and in the prior nine years.

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ERC_{EMB} Environmental Response Costs funding embedded in base rates, \$1,310,000.

Dt_T Forecasted annual firm throughput

In order to limit the bill impacts that could potentially result from the incurrence of environmental remediation costs, the ERC factor, calculated as described above, shall be limited to an increase of no more than \$0.10 per dekatherm in any annual DAC filing. If this limitation results in the Company recovering less than the amount that would otherwise be eligible for recovery in a particular year, then beginning on the date that the proposed ERC factor becomes effective, carrying costs shall accrue to the Company on the portion of the environmental remediation costs not included in the ERC factor as a result of this limitation. Such carrying costs shall accrue through the year in which such amount, together with accumulated carrying costs, are recovered from ratepayers. Any amounts so deferred shall be incorporated into the ERC factor in succeeding years consistent with the \$0.10 per dekatherm ERC factor annual increase limitation. Such carrying charges shall accrue at the Interest on Deferred Balance rate specified in Section 1, Schedule B of the Company's Definition section above.

3.6 Pension Adjustment Factor:

The Pension Adjustment Factor shall recover or refund the prior fiscal year's reconciliation of the Company's actual Pension and Post-retirement Benefits Other Than Pension (PBOP) expenses to the Company's Pension and PBOP expense allowance included in distribution base rates, including interest at the rate of interest paid on customer deposits. The PAF will be computed on an annual basis for the nine month period ending March 31, 2013 and thereafter for each twelve months ended March 31 and will be based on the difference in the Company's actual Pension and PBOP expense for the prior twelve month period ended March 31 and the distribution base rate allowance, plus carrying charges at the weighted average cost of capital on the cumulative five quarter average underfunding of the Pension and PBOP Minimum Funding Obligation for the fiscal year ended March 31. The Minimum Funding Obligation will be equal to the amount of Pension and PBOP costs collected from customers during the fiscal year, plus the amounts of Pension and PBOP costs capitalized during the year. The amount collected from customers during the fiscal year would include (1) Pension and PBOP allowance included in base rates, and (2) amounts collected or refunded through the PAF.

3.7 On-System Margin Credits:

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Each year, the Company will calculate the total non-firm customer margins, exclusive of Rhode Island Gross Earnings Tax for the twelve month period ending each March 31 beginning March 31, 2014. If that total exceeds a target revenue of \$1,800,000, the On-System Margin Credit shall be positive. If the total non-firm margins, exclusive of Rhode Island Gross Earnings Tax, for the twelve-month period ending March 31 are less than the target revenue of \$1,800,000, the On-System Margin Credit shall be negative. For the twelve month period ending March 31, 2013, the target will be prorated for the seven month period ending January 31, 2013 for the On-System Margin target in effect during that period (\$2,816,000) and actual firm and non-firm dual fuel Customer margins, (exclusive of Rhode Island Gross Earnings Tax) during that period and for the two month period ending March 31, 2013 during which the \$1.8 million target is in effect and actual non-firm customer margins, exclusive of Rhode Island Gross Earning Tax, during that period.

The On System Margin Credit is calculated as follows:

$$MC = \frac{NFCM - \$1,800,000}{Dt_T}$$

Where:

MC On-System Margin Credit factor

NFCM The non-firm customer margins exclusive of Rhode Island Gross Earnings Tax (GET) for the 12 months ending March 31.

Dt_T Forecasted annual firm throughput

If in any year the Company is required to calculate the total Non-Firm Customer margins, exclusive of GET, for a period less than a twelve month period, then the Company will prorate the target threshold based upon the monthly 2011 non-firm revenue distribution and if the total exceeds that prorated target threshold the Non-Firm On-System Margin credit will be positive and if it is less than the prorated target the credit will be negative. In addition, if a non-firm customer who was active customer during calendar year 2011 migrates to firm service, the Company will reduce the margin threshold by the non-firm customer's actual 2011 calendar year usage multiplied by the applicable non-firm rate approved in RIPUC Docket 4323. Conversely, the Company will increase the margin threshold for firm customers who migrate to non-firm service based upon the customers most recent historical usage multiplied by the applicable non-firm service rate.

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3.8 Service Quality Performance Factor:

The Service Quality Performance (SQP) Factor will be used for crediting to customers any penalties reflected in the Company’s annual Service Quality Report.

3.9 Revenue Decoupling Adjustment Factor:

The Revenue Decoupling Adjustment (RDA) Factor shall be a credit or surcharge determined for all Residential rate classes and Small and Medium C&I rate classes as the sum of the March 31 Revenue Per Customer deferral ending balances for each rate class divided by the forecasted total annual firm throughput for those rate classes. The March deferral ending balance for each rate class shall result from the monthly calculation of the variance between a Target Revenue-per-Customer and the Actual Revenue Per Customer for the following periods: (1) the ten month period ending January 31, 2013, (2) the fourteen month period February 1, 2013 – March 31, 2014 and (3) each twelve month period ending March 31 thereafter. The deferral balance will be calculated as follows:

$$RDAF = \frac{\sum_{RC} (AEB_{M-1} + VR_M + INT_M)}{D_{TRC}}$$

Where:

RDAF Revenue Decoupling Adjustment Factor

\sum_{RC} The sum of the March 31 Revenue per Customer deferral ending balances for each of the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

AEB_{M-1} Account Ending Balance for prior month

VR_M Current month Variance
 = $(RPC_{TM} - RPC_{AM}) \times CUST_M$

RPC_{TM} For the period ending January 31, 2013, the Target Revenue per Customer will be based on targets

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established in Docket RIPUC 4206. Thereafter, Target Revenue per Customer will be based on class specific revenue per customer targets established in the most recent rate case. Target Revenue for Low-Income classes will reflect non-discounted revenue. Low-income class revenue and customers will be included with non-discounted revenue and customers for the purposes of setting the target.

RPC_{AM} Actual Revenue per Customer for current month calculated as actual base revenues divided by number of customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenues.

$CUST_M$ Number of customers in current month.

INT_M Interest on average monthly balance

$$= \frac{(AEB_{M-1} + VR_M) \times BA_M}{2}$$

BA_M Bank of America Prime minus 200 basis points

Dt_{RC} Forecasted annual firm throughput for the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

3.10 Arrearage Management Adjustment Factor (AMAF):

In compliance with R.I.G.L. §39-2-1(d)(2), the Company shall surcharge customers allowable amounts forgiven through the Arrearage Management Plan (AMP) over the prior calendar year as described in Section 7, Schedule C, Item 9.0 through the AMAF factor.

$$AMPC = \frac{AMPC}{Dt_T}$$

Where:

DISTRIBUTION ADJUSTMENT CLAUSE

AMPC Allowable arrearage management plan costs the Company may recover from firm sales customers in accordance with R.I.G.L. § 39-2-1(d)(2) and described in Section 7, Schedule C, Item 9.0.

Dt_T Forecasted annual firm throughput

4.0 DEFERRED DISTRIBUTION ADJUSTMENT COST ACCOUNT:

The Distribution Adjustment Cost Account shall include annual reconciliation for the twelve month period for the revenues and costs for the System Pressure factor, Advanced Gas Technology factor, LIAP factor, ISR factor, Environmental Response Costs factor, Pension Adjustment Factor, On-System Margin Credit factor, SQP factor, RDA factor, ESM factor, Arrearage Management Adjustment Factor, and a Previous Reconciliation factor, including a true-up for any prior year’s forecasted revenues and costs. Base rate related items (LIAP factor, Advanced Gas Technology factor, and Environmental Response cost factor) will be only be reconciled for those non-Revenue Decoupling rate classes (Large and Extra Large high load and low load factor rate classes). For each reconciliation component, a monthly rate based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account’s beginning and ending balance shall also apply.

5.0 EARNINGS SHARING MECHANISM:

The annual Earnings Sharing Mechanism (“ESM”) established in Docket No. 3401 will remain in place. The Earnings Sharing Mechanism Credit (“ESMC”) will be included with the September 1 DAC filing based on financial information for the 9-month period ending March 31, 2013 and for each 12 months period ending March 31 thereafter. For purposes of calculating earnings to be shared, the Company will be allowed to include its 50% share of net merger synergies resulting from the National Grid/KeySpan transactions, or \$2,450,000. Calculation of the ESCMC is as follows:

$$ESMC = \frac{ESMF}{Dt_T}$$

Where:

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ESMF	Earnings Sharing Mechanism Fund is defined as the earnings subject to sharing and will be based on a return on equity of 10.5% for the seven month period ending January 31, 2013 and 9.5% for 2 month period ending March 31, 2013. Thereafter earnings subject to sharing will be based on a return on equity of 9.50%. Annual earnings over this return on equity, up to and including 100 basis points, being shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of this return on equity shall be shared 75% to customers and 25% to the Company.
Dt _T	Forecasted annual firm throughput

OTHER MISCELLANEOUS CHARGES

OPTIONAL CREDIT CARD PAYMENT PROVISION

1.0 AVAILABILITY:

Customers of National Grid (National Grid or Company) have the option of paying their bills issued by National Grid through the use of a payment-processing agent (Third Party Vendor). Residential and non-residential customers, as determined by the Company's rate schedule designations, have the option to make payments by telephone or web page. The availability of this option will be subject to the Company's ability to arrange for such an option. This payment option is available to all of the Company's customers choosing to make payments to the Company through use of the Third Party Vendor-sponsored telephone or web page system. If there is a conflict between the PUC's Rules Governing the Acceptance of Credit Card Payments (the Rules) and this provision, the Rules shall govern.

2.0 PAYMENT TYPES:

The following payment methods shall be accepted under this provision:

1. Visa;
2. Mastercard;
3. American Express;
4. Discover;
5. Debit Cards issued by a financial institution which include a card association symbol such as Visa or MasterCard; and
6. Electronic Checks

3.0 FEES:

Customers choosing to make payments under this option will be assessed a fee directly by the Third Party Vendor for each payment the customer initiates. The fee to be charged by the Third Party Vendor is based on whether the customer making the payment is a residential customer or a non-residential customer and the number of payment transactions made. The customer must initiate each payment transaction. Initiating one payment transaction does not establish future payment transactions for a customer.

Residential Fees:

The residential fee per payment transaction, up to a maximum transaction amount of \$600 is \$2.25. The Third Party Vendor will assess a fee of \$2.25 per transaction for any additional payment transactions up to \$600 each.

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OPTIONAL CREDIT CARD PAYMENT PROVISION

Non-Residential Fees:

The non-residential fee per payment transaction, up to a maximum transaction amount of \$1,000, is \$6.95. The Third Party Vendor will assess a fee of \$6.95 per transaction for any additional payment transactions up to \$1,000 each.

4.0 PAYMENT AMOUNT:

Customers who choose to make payments under this provision shall have the ability to make partial payments. Additionally, the Company shall not deny a customer's use of these payment options because the customer's account with the Company is past due.

5.0 COMPANY OBLIGATION:

The payment transaction shall occur between the customer and the Third Party Vendor. The Company shall provide information regarding the Third Party Vendor's payment systems to assist its customers who choose to make payments by telephone or web page. The Company shall assist its customers in the resolution of any disputes between customers and the Third Party Vendor involving the credits posted by the Company to customers' accounts as a result of the processing of customer payments under this provision. The Company has no obligation, however, to participate in any dispute involving matters strictly between the customer and the Third Party Vendor or the customer's bank or card issuer.

6.0 TERMS & CONDITIONS:

The Company's Terms & Conditions, as may be amended from time to time, where not inconsistent with any specific provisions hereof, are a part of this provision.

OTHER MISCELLANEOUS CHARGES

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM ENHANCEMENT PLAN CHARGE

7.0 LOW INCOME HOME ENERGY ASSISTANCE ENHANCEMENT PLAN (LIHEAP) CHARGE:

In accordance with R.I.G.L. § 39-1-27.12, the Company shall bill monthly to all customers a Low Income Home Energy Assistance Enhancement Plan charge (“LIHEAP Charge”) approved by the PUC, provided however that the annual charge shall not exceed \$10 per customer, per year. For purposes of this section a “customer” is defined as any person taking service at a single point of gas delivery or gas meter.

The monthly rate for the LIHEAP Charge is \$0.81 per customer and shall appear as a separate line item on a customer’s bill.

7.1 LIHEAP Enhancement Fund:

The Company shall establish a LIHEAP Enhancement Plan fund that shall be used to account for the combined funds collected through the LIHEAP Charge from both gas and electric service customers. The Rhode Island Department of Human Services (“DHS”) shall designate to the Company the qualifying customer accounts and the amounts to be credited from the LIHEAP Enhancement Plan fund. The cumulative amount of credits applied to customer bills will be limited to an amount no greater than the cumulative aggregate projected LIHEAP Charges billed through the end of the current calendar year. Once the aggregate credits applied to customer bills equals the aggregate projected LIHEAP Charges billed through the end of the current calendar year, including interest as defined below, the application of the LIHEAP Enhancement Plan credits would cease. Any difference in aggregate cumulative actual LIHEAP Charges billed and aggregate cumulative credits applied to customer bills, will accrue interest at the customer deposit interest rate.

The projected annual revenue in the LIHEAP Enhancement Plan fund collected through the gas and electric service LIHEAP Enhancement Plan charges shall not exceed seven million five hundred thousand dollars (\$7,500,000) and shall not be less than six million five hundred thousand dollars (\$6,500,000).

Beginning on September 1, 2016 and monthly thereafter between April 15 and September 30 of each year, the Company will set aside a minimum of 5 percent of the funds collected through the LIHEAP Enhancement Plan, to be allocated to provide assistance to customers seeking LIHEAP certification for the sole purpose of entering into the Arrearage Management Program (“AMP”) as described in R.I.G.L. § 39-2-1(d)(2). This fund is designated for homeless families or individuals who are transitioning from a

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**LOW INCOME HOME ENERGY ASSISTANCE PROGRAM ENHANCEMENT PLAN
CHARGE**

shelter into housing who provide acceptable documentation to DHS. Remaining funds available after September 30 of each year will be eligible for use in the upcoming winter season.

7.2 LIHEAP Eligible Customer:

For purposes of receiving funds from the LIHEAP Enhancement fund in subpart 7.1 above, a qualifying LIHEAP eligible customer shall be a household with a combined gross income equal to or less than 60 percent of the state median household income as calculated by the U.S. Bureau of Census and as adjusted for family or group size by the U.S. Department of Health and Human Services regulation 45 CFR § 96.85 or its successor regulation.

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PAPERLESS BILL CREDIT

8.0 PAPERLESS BILL CREDIT:

Customers receiving bills may elect to receive their bill electronically. Customers electing to receive their bills electronically will receive a paperless billing credit of \$0.34 each month per account.

OTHER MISCELLANEOUS CHARGES

ARREARAGE MANAGEMENT PROGRAM PROVISION

9.0 ARREARAGE MANAGEMENT PROGRAM:

In accordance with R.I.G.L. § 39-2-1(d)(2), commencing on September 1, 2016, the Company shall implement an Arrearage Management Program (“AMP”) pursuant to this tariff provision.

I. PROGRAM ELIGIBILITY

In order to be considered eligible for enrollment in the AMP, a customer who has been terminated from gas service or is recognized, pursuant to a rule or decision by the Division of Public Utilities and Carriers, as being scheduled for actual shut-off of service on a specific date, shall meet all of the following criteria:

- The applicant must be the customer of record, although the customer of record may authorize someone else to communicate with the Company to help enroll the customer of record in the AMP;
- The applicant must be eligible for the federal low-income home energy assistance program (“LIHEAP”);
- The account must be receiving retail delivery service on the Company’s Residential Low-Income Rate 11;
- The customer’s account must have a minimum balance of \$300.00 that is more than 60 days past due;
- If service to the account has been terminated, the customer must make an initial payment of 25% of the total unpaid balance (current and past due), unless otherwise directed by the Public Utilities Commission (“PUC”) as a result of an emergency regulation;
- The customer must agree to a payment plan, as further described in Section III;
- The customer must agree to remain current with payments. “Remaining current” means that the customer:
 - 1) misses no more than two (2) payments in the 12-month term of the payment plan; and
 - 2) pays the amount due under the payment plan in full by the conclusion of the payment plan’s 12-month term;
- The customer must agree to participate in the Company’s Energy Efficiency programs; and

OTHER MISCELLANEOUS CHARGES

ARREARAGE MANAGEMENT PROGRAM PROVISION

- The customer must apply for other available energy assistance programs, such as fuel assistance and weatherization.

II. ENROLLMENT

To participate, the customer must affirmatively apply to participate in the AMP.

The Company shall administer the AMP enrollment process in compliance with the eligibility qualifications outlined in Section I. By applying to participate in the AMP, the customer agrees to comply with the terms of the AMP, including the customer's specific payment plan. After a customer has applied to the AMP, the Company shall determine whether the customer has met all of the AMP eligibility criteria set forth in Section I, based on the Company's records. The Company will coordinate with the Community Action Program ("CAP") agencies to validate customer eligibility when appropriate.

III. PAYMENT PLAN

AMP participants shall enroll in a 12-month payment plan, paid in equal monthly installments, that will cover new charges based upon their current estimated annual usage ("Payment Plan").

The current component of the Payment Plan shall be based on the customer's average monthly usage for the previous year less the customer's actual or anticipated fuel assistance commitments, and shall be converted to a fixed monthly payment.

IV. ARREARS FORGIVENESS

AMP participants will be eligible for forgiveness of their account balance that is past due at the time of the first bill under their Payment Plan, up to an annual maximum of \$1,500. With each payment under the Payment Plan, a portion of the participant's outstanding past due account balance as described above is forgiven in an amount equal to the total past due account balance or \$1,500, whichever is less, divided by 12; provided, however, that the annual arrearage forgiveness amount shall not exceed \$1,500.

If an AMP participant's past due account balance at the time their Payment Plan takes effect exceeds \$1,500, the AMP participant may request an extension of the Payment Plan beyond the initial 12-month term to establish a new Payment Plan to accommodate the additional account balance in excess of \$1,500. To be eligible for an extension, the AMP participant must be current with their Payment Plan at the conclusion of the initial 12-month term.

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ARREARAGE MANAGEMENT PROGRAM PROVISION

V. PAYMENT PLAN REVIEW

Customers applying to participate in the AMP will be advised that the amount of their required monthly payment under their Payment Plan may change over the lifetime of the Payment Plan.

The Company shall review the Payment Plans of active AMP participants every three months and may adjust the installment payments based on the following:

- A fuel assistance commitment is made subsequent to enrollment;
- There is a change in fuel assistance, such as a change in the amount, from what was understood at enrollment;
- The customer moves to a new address with a different average monthly usage for the previous year;
- Actual usage patterns differ from what was estimated as annual usage at enrollment; or
- There is a significant change in the Company's rates from what was anticipated at enrollment.

VI. DEFAULT

The Company shall consider the AMP participant's billing account in default if either of the following occurs:

- The AMP participant misses more than two (2) payments in the 12-month Payment Plan term; or
- If the amount due under the Payment Plan is not paid in full by the conclusion of the 12-month Payment Plan term.

Upon default, the Company shall terminate an AMP participant from the AMP and the customer's unpaid balance will be due and payable in full. However, any arrearage forgiven under the AMP prior to termination of participation in the AMP will remain forgiven.

Customers shall have the option to opt out of continued participation in the AMP at any time, with the understanding that any unpaid balance will be due and payable in full. Customers who voluntarily opt out of the AMP will receive the same treatment as those customers who default on their Payment Plans under the AMP, as set forth in Section X (Subsequent Eligibility).

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ARREARAGE MANAGEMENT PROGRAM PROVISION

VII. TERMINATION

In addition to termination upon default, a customer's participation in the AMP shall terminate if either of the following occurs:

- The AMP participant moves outside of the Company's service territory; or
- The AMP participant moves from one service location to another service location.

If a customer is terminated from AMP participation, the customer's unpaid balance will be due and payable in full. However, any arrearage forgiven under the AMP prior to termination of participation in the AMP will remain forgiven.

VIII. COLLECTION ACTIVITY

AMP participants shall not be subject to the Company's normal collections activities while actively participating in the AMP. The Company shall resume normal collections activities if an AMP participant defaults while participating in the AMP or terminates the AMP.

IX. AMP BILLING AND ACTIVE PLAN NOTICING

The Company shall remove the amount of an AMP participant's arrears balance up to \$1,500 from the "current amount due" field on certain views of AMP participant accounts in the Company's billing system. However, the arrears balance up to \$1,500 shall remain on the customer's bill.

Customers who are enrolled in the AMP will receive an AMP "Enrollment Letter" outlining the terms and conditions of their participation in the AMP.

Customers in danger of defaulting from the AMP will receive a default letter advising them of the need to make all required payments or risk default, termination from the AMP, and a return to the Company's normal collections activities.

X. SUBSEQUENT ELIGIBILITY

A customer is eligible for subsequent enrollment in the AMP provided two years have passed since either (a) the date of the customer's successful completion of the AMP, or (b) the date on which the customer's participation in the AMP was terminated as a result of default or because the customer voluntarily opted out of the AMP, so long as a CAP agency has provided a recommendation to allow eligibility notwithstanding the customer's default or voluntary opt out of the AMP. The Company shall review requests for re-enrollment on a case-by-case basis to determine that the foregoing criteria are met.

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ARREARAGE MANAGEMENT PROGRAM PROVISION

XI. REPORTING METRICS

The Company shall report monthly and annually the metrics below to allow for the evaluation of the effectiveness of the AMP. The monthly and annual reports shall be submitted to the PUC in Docket No. 4290.

- Number of customers enrolled in the program at the end of the reporting period;
- Number of customers added to the program during the reporting period;
- Number of customers terminated from the program (by choice or default) during the reporting period;
- Number of customers who successfully completed the program during the reporting period;
- Total customer payments during the reporting period;
- Total amount to be forgiven for all participating customers at the end of the reporting period;
- Average amount to be forgiven for all participating customers at the end of the reporting period;
- Total amount to be paid under a payment plan for all participating customers at the end of the reporting period;
- Average arrears balance not yet forgiven of all participating customers at the end of the reporting period;
- Average arrears balance as a percentage of the total balance due for all participating customers at the end of the reporting period;
- Total amount of arrears outstanding for all participants at the end of the reporting period;
- Total amount of forgiveness credits (allowances) given during the reporting period;
- Number of forgiveness credits (allowances) given during the reporting period;
- Average amount of forgiveness credits (allowances) given during the reporting period;
- Number of participants receiving LIHEAP at the end of the reporting period;
- Percentage of participants receiving LIHEAP at the end of the reporting period; and
- Total LIHEAP payments received during the reporting period.

The Company shall also provide a schedule with the number of customers enrolled in the AMP, by month, together with the number of defaults and program terminations.

XII. COST RECOVERY

The prices for Delivery Charges contained in all the rates of the Company are subject to adjustment to reflect an Arrearage Management Adjustment Factor (“AMAF”) designed to recover incremental costs incurred associated with the AMP. Incremental costs include the

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ARREARAGE MANAGEMENT PROGRAM PROVISION

amount of arrearage forgiven. The recovery of the arrearage amounts forgiven by the Company through the AMP is dependent on the following criteria:

- i. If a customer does not satisfy the conditions of R.I.G.L. § 39-2-1(d)(2), the amount of arrearage forgiven by the Company to that point shall remain forgiven and be written off by the Company. However, the amount of arrearage forgiven by the Company is recoverable in full.
- ii. If a customer does satisfy the conditions of R.I.G.L. § 39-2-1(d)(2), all arrearage amounts forgiven will be treated as bad debt. At the end of each calendar year, the Company will perform a test to determine if the amount of bad debt for the year exceeds the adjusted allowable bad debt from the Company's most recent general rate case. This adjusted allowable bad debt will be calculated using the distribution uncollectible amount determined in the last general rate case, updated for the current calendar year Gas Cost Recovery, Distribution Adjustment Clause ("DAC"), commodity, and energy efficiency-related bad debt. Should the actual amount of bad debt incurred by the Company for the year exceed this adjusted allowable bad debt amount, the Company will be entitled to recover, in the following year, all amounts of arrearage forgiven under R.I. Gen. Laws § 39-2-1(d)(2)(xiv) in the prior year in excess of the allowable bad debt. If, however, the amount of the arrearage forgiven under § 39-2-1(d)(2)(xiv) in excess of the adjusted allowable bad debt for a given year is not significant enough to calculate an annual reconciling factor for that year, the Company may reflect such amount in its next Revenue Decoupling Mechanism reconciliation filing.

The AMAF shall be a uniform per therm factor based on the estimated therms to be delivered by the Company to its gas customers over a 12-month period. For billing purposes, the AMAF will be included with the DAC charge on customers' bills. Should any balance remain outstanding subsequent to the recovery of costs associated with the AMP as described above, the Company shall reflect this balance as an adjustment in the subsequent period.

XIII. ADJUSTMENT TO RATES

Adjustments to rates pursuant to the Arrears Management Program Provision are subject to review and approval by the PUC. Modifications to the factor contained in this Provision shall be made in accordance with a notice filed with the PUC pursuant to R.I.G.L. § 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.