Raquel J. Webster
Senior Counsel

November 3, 2021

BY ELECTRONIC MAIL

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

RE: Docket 5165 – Distribution Adjustment Clause Filing
Docket 5180 – Gas Cost Recovery
<u>Tariff Compliance Filing</u>

Dear Ms. Massaro:

I have enclosed National Grid's[1] tariff compliance filing, which reflects the Rhode Island Public Utilities Commission's October 26, 2021 and November 1, 2021 open meeting decisions in the above-referenced dockets.[2] Specifically, the Company revised tariff R.I.P.U.C. NG-GAS No. 101 ("Tariff") by eliminating references to the Advance Gas Technology ("AGT") Program, AGT Funds, and AGT Factor in the Distribution Adjustment Clause ("DAC") Provision, Section 1, Schedule B, and Section 3, Schedule A. The Company also made the following clean-up changes to the Tariff to remove outdated provisions in the Tariff and add provisions that were missing:

1) Removed the references to the Tax Credit Factor in the DAC Provision (Section 3, Schedule A) since this factor is no longer applicable;

2) Added the Storm Net Revenue Factor in the DAC Provision (Section 3, Schedule A) as this factor was missing from the Tariff;

3) Changed the Annual Energy Efficiency ("EE") filing date to October 1 and the three-year EE filing date to October 15 to reflect the PUC's revision to the Least Cost Procurement Standards in 2020 (Section 1, Schedule C); and

4) Updated the System Pressure Factor in the DAC Provision to include the reallocation of hourly peaking fixed costs (Section 3, Schedule A).

[1] The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company").

[2] Per a communication from Commission counsel on October 4, 2021, the Company is submitting an electronic version of this filing and six hard copies within 24 hours of the electronic filing.

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Thank you for your attention to this filing. If you have any questions, please contact me at 781-907-2121.

Very truly yours,

Raquel J. Webster

Enclosures

cc: Docket 5165 Service List
Docket 5180 Service List
Leo Wold, Esq.
Al Mancini, Division
John Bell, Division

DEFINITIONS

Actual Base Revenue Per Customer:	The actual base revenue for a rate class for a month divided by the actual number of customers billed for each rate class in the month.
Actual Transportation Quantity:	The quantity of gas actually received during the Gas Day as measured by the metering equipment at the Point(s) of Receipt, adjusted for the applicable Company Fuel Allowance.
Aggregation Pool:	One or more transportation Customer accounts whose gas usage is aggregated into a Marketer's account for operational purposes, including but not limited to nominating, scheduling and balancing gas deliveries to specified Point(s) of Receipt.
~~AGT Costs:~~	~~Advanced Gas Technology program costs as approved by the PUC.~~
Average Normalized Winter Day Usage:	A Customer's average normal winter day's usage, based on their actual gas usage during the most recent November through March period, adjusted for normal degree days, as approved in the most recent general rate case.
Base Revenue:	Base Revenue is the sum of the customer charge, variable distribution charges and demand charges for firm service rate classes. Base Revenue is net of Gross Earnings Tax (GET).
BTU content factor:	One British thermal unit (i.e., the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit at sixty degrees (60°) Fahrenheit). A Therm is one hundred thousand Btus. The BTU content factor for a given volume shall be calculated by the Company on a seasonal basis at the end of October and the end of April based upon an average of the Transporting Pipeline's prior six-month experience of recorded BTU factors.
Capacity Release Revenues:	Revenues derived from the sale of capacity upstream of the city-gate.
Capacity Exempt Customer:	Any Customer who is the customer of record at a location having a Capacity Exemption.

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Capacity Exemption: A location having Gas Usage that is not subject to a mandatory pipeline capacity assignment from the Company. Customers are capacity exempt if they (1) elected to retain their Capacity Exemption at a specific location as part of the 1999 revisions to the Company's Business Choice program in Docket RIPUC 2902, (2) receive delivery service on the Company's Non-Firm Sales or Non-Firm Transportation rate schedules, or (3) elected capacity exemption as a New Customer in accordance with Section 6, Transportation Terms and Conditions, Schedule C, Part 1.07.1.

Company Fuel Allowance**:** The quantity in Therms (as calculated on a percentage basis) by which the gross amount of gas received for Customer's account at the Point(s) of Receipt is reduced in kind in order to compensate the Company for gas loss and unaccounted for, Company use or similar quantity-based adjustment.

Consumption Algorithm**:** A mathematical formula used to calculate a Customer's daily consumption based on the Customer's historical base load and heat use per heating degree day factor.

Critical Day: Defined as any day where supply resource constraints are expected to adversely impact the operation of the Company's distribution system. A Critical Day may occur under conditions, such as severe cold temperatures, pipeline emergencies, malfunctions or unusual, out-of-season weather conditions.

Customer: Any party(s) that has obtained service from the Company pursuant to the General Terms and Conditions or pursuant to the Transportation Terms and Conditions.

Daily Index: The mid-point of the range of prices for the respective New England Citygates as published by Gas Daily under the heading "Daily Price Survey, Midpoint, Citygates, Algonquin Citygates" and "Daily Price Survey, Midpoint, Citygates Tennessee/Zone 6 (delivered)" for the relevant Gas Day listed under "Flow date(s)." In the event that the Gas Daily index becomes unavailable, the Company shall apply its daily marginal cost of gas as the basis for this calculation until such time that PUC approves a suitable replacement.

DEFINITIONS

Deferred Balance:	The difference between incurred costs and revenues received.
Deferred Gas Cost Balance:	The difference between gas costs incurred and gas revenues received.
Dekatherm (Dt):	Ten Therms or one million Btu's (MMBtu).
Design Winter Sales Sendout:	Sales sendout of Residential Non-Heating, Residential Heating, Small C&I, Medium C&I, Large Low and High Load C&I, and Extra Large Low and High Load C&I during November through March based on design winter temperatures.
Division	The Rhode Island Division of Public Utilities and Carriers.
Electronic Bulletin Board (EBB):	An internet web site which allows both the Company and Marketers to electronically post nominations and other transportation-related information.
EDI	Electronic Data Interchange, the system by which the Company and Marketers initiate transactions and share information.
Environmental Response Costs:	All reasonable and prudently incurred costs associated with evaluation, remediation, clean-up, litigation, claims, judgments, insurance recovery (net of proceeds), and settlements arising out of the Company's utility-related ownership, operation, or use of: (1) manufactured gas production and storage facilities and disposal sites where wastes and materials from such facilities were deposited; (2) mercury regulators; and (3) meter disposal. Also included are the reasonable and prudently incurred costs for acquiring plant, property and equipment to facilitate remediation and other appropriate environmental management objectives in connection with the above sites, properties, and activities. The Company will use its best efforts to minimize Environmental Response Costs consistent with applicable regulatory requirements and sound environmental management policies and practices.
Forecasted Daily Usage (FDU):	Customer's estimated daily consumption for the next gas day as

DEFINITIONS

	calculated by the Company based upon a forecast of heating degree days and the consumption algorithm.
Gas Day:	A period of twenty-four (24) consecutive hours beginning at 10:00 am (EST) and ending at 10:00 am (EST) the next calendar day.
Gas Usage:	The actual quantity of gas used by the Customer as measured by the Company's metering equipment at the Point of Delivery and converted to Therms.
Hedge Collateral:	Funds the Company is required to put up as collateral on hedge positions by an exchange or counterparty, or funds it receives from an Exchange or counterparty as collateral.
Hedge Collateral Carrying Costs:	For the month being calculated, carrying costs equal the total of the following: (1) For each exchange or counterparty holding the Company's collateral, the monthly short term borrowing rate defined as the Company's money pool rate, times the average hedge collateral daily balance for the month divided by 12, less (2) for each exchange or counterparty where the Company holds their collateral, the monthly short term borrowing rate times the average hedge collateral daily balance for the month divided by 12, less (3) any interest paid to the Company by the exchange or counterparty on the collateral funds it holds. The Company will recover carrying costs from customers or credit customers for carrying costs through the Gas Adjustment. In the event the Company chooses to meet its collateral obligations by posting a letter of credit or other non-cash instrument, the carrying cost will be the direct costs of the letter of credit or alternative non-cash instrument.
Imbalance:	The difference between the Actual Transportation Quantity and Gas Usage.
Interest on Deferred Balance:	Interest revenue/expense required to finance the deferred balance based on the Bank of America Prime Rate less 200 basis points (2%) as in effect from time to time.

DEFINITIONS

Inventory Finance Charge:	Finance charges associated with the storage of natural gas as calculated using a working capital calculation.
Local Storage Costs:	Costs associated with the investment, operations, and maintenance of natural gas storage downstream of the city-gate.
Marginal Gas Cost:	The variable cost of the Company's marginal source of supply for the Gas Day. Incremental Cost is a synonymous term.
Marketer:	An entity meeting the eligibility requirements of Section 6, Schedule C, Item 5.03, that is designated in a Transportation Service Application by the Customer to act on its behalf for nomination, notification, scheduling, balancing, and receipt of communications, and which has executed a Marketer Aggregation Pool Service Agreement. A Customer may designate itself as the Marketer provided that they have an executed service agreement with the Transporting Pipeline or provide proof of contract to purchase the gas at the Company's city gate.
Maximum Daily Quantity:	The maximum quantity of gas a customer is authorized to use during the gas day.
Monthly Index:	The simple average of the Daily Indices for the applicable month.
Net Insurance Recoveries:	Proceeds recovered from insurance providers and third parties for Environmental Response Costs, less the cost of obtaining such proceeds through claims, settlements, and litigation.
New Customer:	A Customer taking a supply of gas at a new Point of Delivery that has not been previously served by the Company.
Non-Firm Customer:	A customer who receives service under the Company's Non-Firm rate class.
Non-Firm Transportation Margin:	Margins derived from the transportation of natural gas to non-firm customers downstream of the city gate.
Off-System Sales Margins:	Margins derived from the sale of natural gas upstream of the city-gate.

DEFINITIONS

Operational Flow Order:	The Company's instruction to Marketers and/or Customers to take such action as conditions require, including, but not limited to, diverting gas to or from the Company's distribution system pursuant to Section 6, the Transportation Terms and Conditions, Schedule C, Item 1.04.2.
Peak Day Use:	The estimated use of a customer on the forecasted Gas Day during which the Company's system experiences the highest aggregate Gas Usage. It is calculated by estimating the customer's average use on a day when heat is not required (the baseload use) and the average use per degree day (the heating use) based on the customer's historical usage history. In the event the customer's historical usage is unavailable or not representative of expected future use, the Company will evaluate the customer's gas equipment and its projected utilization in order to calculate the customer's estimated use. The Peak Day Use equals the baseload use plus the product of the use per degree day times the design degree day value as approved by the PUC.
Pipeline Costs:	Costs associated with the entitlement and transmission of natural gas on the interstate pipeline system.
Pipeline Shipper(s):	The party(s) from whom a Marketer has purchased gas to be delivered to and transported by the Company.
Point of Delivery:	A location at which the Company's distribution facilities are interconnected with the Customer's facility.
Point(s) of Receipt:	Outlet side of the measuring station at the interconnection between the Transporting Pipeline and the Company's distribution facilities where gas will be received by the Company for transportation service in its service territory.
PUC	The Rhode Island Public Utilities Commission.
Purchased Gas Working Capital:	The working capital required to finance the Company's purchased gas.
Refunds:	Refunds from pipeline, storage, and suppliers.

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Scheduled Transportation Quantity:	The quantity of gas scheduled by the Marketer to be received by the Company for Customer's account during the Gas Day at the Point of Receipt, including the applicable Company Fuel Allowance.
Service Quality Performance Fund:	Deferred account containing accumulated Service Quality adjustments.
Soft-Off	The termination of an account by the Company for billing purposes where there is no new customer of record and the actual flow of gas to the premises is not disconnected.
Supplier Costs:	Costs associated with the entitlement and purchase of natural gas.
Target Revenue Per Customer:	For the period through August 2018, the target revenue per customer amount is that established in Docket 4323. For the period beginning September 2018, it shall be the target revenue per customer establish in Docket 4770.
Therm:	An amount of gas having a thermal content of 100,000 Btus.
Transportation Imbalance Revenues:	Revenues associated with daily and monthly imbalances for transportation customers, as included in the Company's Terms and Conditions of Firm Transportation.
Transporting Pipeline:	The party(s) engaged in the business of rendering transportation service of natural gas in interstate commerce subject to the jurisdiction of the Federal Energy Regulatory Commission, which are transporting gas for Marketer to a Point of Receipt of the Company.
Upstream Storage Costs:	Costs associated with the entitlement, injection, withdrawal, and storage of natural gas upstream of the city-gate.
Working Capital:	The dollar amounts required to support the Company's activities prior to the receipt of revenue.

TAXES AND SURCHARGES

1.0 RHODE ISLAND GROSS EARNINGS TAX:

Unless otherwise indicated, all rates exclude an amount necessary for the payment of Rhode Island Gross Earnings Tax. An amount necessary for the payment of Rhode Island Gross Earnings Tax will be separately identified on bills rendered to customers.

2.0 GROSS EARNINGS TAX REDUCTION FOR MANUFACTURERS:

Consistent with the gross earnings tax exemption provided in Section 44-13-35 of Rhode Island General Laws, eligible manufacturing customers will be billed the applicable Rhode Island Gross Earnings Tax (GET). The Customer is responsible for providing to the Company in writing its tax exemption number and other appropriate documentation. If the Company collected any taxes or assessments from the Customer and is later informed by the Customer that the Customer is exempt from such taxes, it shall be the Customer's responsibility to obtain any refund from the appropriate governmental taxing agency.

Eligible manufacturing customers are those Customers who have on file with the Company a valid certificate of exemption from the Rhode Island sales tax (under section 44-18-30 (7) of Rhode Island General Laws) indicating the Customer's status as a manufacturer. If the Division of Taxation (or other Rhode Island taxing authority with jurisdiction) disallows any part or all of the exemption as it applies to a Customer, the Customer will be required to reimburse the Company in the amount of the credits provided to such Customer which were disallowed, including any interest required to be paid by the Company to such authority.

The Division of Taxation has indicated that it will generally deem 95% of manufacturer's volumes to be for "manufacturing use" eligible for the reduced manufacturer's Gross Earnings Tax rate. Thus, unless usage is separately metered for manufacturing only, 95% of billed amounts for qualified customers will be deemed to be for manufacturing purposes and eligible for the manufacturer's GET credit, whereas the remaining 5% of the billed amount will be subject to the standard GET rate. If usage is separately metered for manufacturing use only, the entire amount will be subject to the reduced manufacturing GET rate.

No other use of gas will be included in this rate for billing purposes.

3.0 OTHER RHODE ISLAND TAXES:

Where applicable at rate or rates in effect from time to time.

TAXES AND SURCHARGES

4.0 ENERGY EFFICIENCY SURCHARGE:

As provided for in Section 39-1-27.7 and Section 39-2-1.2 of Rhode Island General Laws, a charge per dekatherm (Dt) designed to recover the costs of the Company's gas Energy Efficiency Program ("EEP").

With the filing of the Company's EEP plan for the upcoming calendar year, the Company will file its EEP per Dt charge on or before October ~~15~~ 1 of each year. In any year in which the Company is required to file a triennial Energy Efficiency Procurement plan, the Company will file the EEP Charge by ~~November 1~~October 15. The EEP Charge shall be effective on the following January 1. The EEP charge will be designed to collect the estimated costs of the Company's EEP plan for the upcoming calendar year plus a full reconciliation of all costs and revenues for the current year including a reconciliation of forecasted revenue and costs for months of the current year for which actual data is not available at the time of the filing. Any projected amounts included in the EEP charge filing are subject to reconciliation to actual amounts and any difference will be reflected in a future EEP charge filing. Upon approval by the PUC, such a charge (adjusted for the uncollectible percentage approved in the most recent general rate case) shall become effective with usage on or after the effective date.

The Company may file to change the EEP charge at any time should significant over- or under-recoveries occur.

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~~2) the costs of the Infrastructure, Safety, and Reliability Plan;
(3~~4~~) the amortization of the most recent ten years of Environmental Response costs;
(4~~5~~) Pension costs and Post-retirement Benefits Other than Pensions expenses;
(5~~6~~) to credit any Service Quality Performance penalties;
(6~~7~~) any over or under collections of revenue under the Revenue Decoupling mechanism;
(7~~8~~) the previous year DAC items;
(8~~9~~) any Earnings Sharing;
(9~~10~~) any Residential Assistance costs; and
(~~11~~10) the ~~impact of the Tax Cuts and Jobs Act~~net revenue received for Storm Restoration services provided in other jurisdictions.

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 Item 3.~~3~~2.2, the Distribution Adjustment Charge shall become effective with consumption as of November 1 each year.

DISTRIBUTION ADJUSTMENT CLAUSE

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, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, an Earnings Sharing Mechanism factor, a Low Income Discount Recovery Factor, a ~~Tax Credit~~Storm Net Revenue Factor and an Arrearage Management Adjustment Factor. The Distribution Adjustment Charge is calculated as follows:

DAC = SP~~+AGT~~+ISR+ERCF+PAF+SQP+RDA+AMAF+R+ESM+LIDRF+~~TCF~~SNR

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.~~
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.~~3~~2 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.~~4~~3 for calculation.
PAF	Pension Adjustment Factor. See Item 3.~~5~~4 for calculation.
SQP	Service Quality Performance Factor. See Item 3.~~6~~5 for calculation.
RDA	Revenue Decoupling Adjustment factor. See Item 3.~~7~~6 for calculation.
AMAF	Arrearage Management Adjustment Factor. See Item 3.~~8~~7 for calculation.
LIDRF	Low Income Discount Recovery Factor. See Item 3.~~9~~8 for calculation.
SNRF	Storm Net Revenue Factor. See Item 3.9 for calculation.

DISTRIBUTION ADJUSTMENT CLAUSE

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.

~~TCF — Tax Credit Factor. See Item 3.10 for calculation.~~

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

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed in a manner that identifies and includes all fixed and variable gas supply costs required on an annual basis to maintain pressure within the Company's distribution system and shall identify and consider all gas supply costs that are required to maintain pressure for all portions of the Company's distribution system. The System Pressure factor shall also include a reallocation of fixed gas costs incurred to meet peak hour requirements from the Company's GCR to the DAC:

$$SP = \frac{(GCSP \times SP\%) + GCPH}{Dt_T}$$

Where:

SP — System Pressure Amount.

GCSP — Forecasted Gas Costs associated with supply used to maintain system pressures, including both demand and commodity costs.

SP% — Percent of supply used to maintain system pressures, as established in the most recent general rate case or DAC proceeding.

GCPH — Forecasted fixed Gas Costs incurred to meet the peak hour requirements.

Dt_T — Forecasted annual firm throughput.

DISTRIBUTION ADJUSTMENT CLAUSE

~~**3.2 AGT Factor:**~~

~~The Advanced Gas Technology factor shall be determined annually, or as otherwise approved by the PUC, based on an estimate of AGT grants to be disbursed during the upcoming year, adjusted by any AGT grants from the prior year in excess of available funding or available funding in excess of AGT grants from the prior year, the total of which is the eligible AGT Costs to be approved for recovery by the PUC. The formula will be as follows:~~

~~AGT = AGT / Dt_T~~

~~**Where:**~~

~~AGT AGT Factor~~

~~AGT AGT Costs~~

~~Dt_T Forecasted annual firm throughput in dekatherms~~

~~3.3~~3.2 Infrastructure, Safety and Reliability Plan:

3.~~3~~2.1 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.~~3~~2.2 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 Investment as approved by the PUC 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

DISTRIBUTION ADJUSTMENT CLAUSE

Cumulative Non-growth Capital Investment, at a rate equal to the pre-tax weighted average cost of capital as approved by the PUC in the most recent general rate case, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the PUC in the Company's most recent general rate case adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism.

The Adjusted Cumulative Non-growth Capital Investment shall mean the cumulative actual non-growth capital investment recorded as in service since the end of the Company's rate year in its most recent general rate case, reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment for any period during which Forecasted Non-Growth Investment has not been reconciled to Actual Non-Growth Investment including through the end of the Company's rate year in its last general rate case. Cumulative Revenue Requirements will reflect Adjusted Cumulative Non-Growth Capital Investment 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 general 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 general rate case. 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.~~3~~2.3 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.

DISTRIBUTION ADJUSTMENT CLAUSE

3.~~4~~3 Environmental Response Cost Factor (ERCF):

$$ERCF = \frac{\frac{\sum ERCyr_x}{10} - ERC_{EMB}}{Dt_T}$$

Where:

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

$\sum ERCyr_x$ — The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31.

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.~~5~~4 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

DISTRIBUTION ADJUSTMENT CLAUSE

paid on customer deposits. The recoverable actual Pension and PBOP shall reflect expense recorded on the Company's books of account pursuant to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 715, Compensation—Retirement Benefits, as amended in March 2017 in a FASB Accounting Standards Update (formerly Statement of Financial Accounting Standards ("SFAS") 87 and SFAS 106) associated with pension and PBOP. The PAF will be computed on an annual basis for the 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. For the purpose of determining its Minimum Funding Obligation and the carrying costs that apply to that obligation, the Company shall be permitted to combine the funding of pensions and PBOPs, thereby offsetting, any deficiencies in PBOPs funding with any excess pension funding, or conversely offsetting any deficiencies in pension funding with any excess PBOP funding. The Company will be required to accrue and defer carrying charges on only the net unfunded pension/PBOP amount.

3.~~6~~5 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.~~7~~6 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 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 difference between the Target Revenue-per-Customer and the Actual Revenue-Per-Customer for each twelve months ending March 31. The deferral balance will be calculated as follows:

DISTRIBUTION ADJUSTMENT CLAUSE

$$RDAF = \frac{\sum_{RC}(AEB_{M-1} + DIFF_M + INT_M)}{Dt_{RC}}$$

Where:

RDAF — Revenue Decoupling Adjustment Factor

$\sum_{RC}$ — The sum of the March 31 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

$DIFF_M$ — Current month Difference

$$= (RPC_{TM} - RPC_{AM}) \times CUST_M$$

RPC_{TM} — Target Revenue-per-Customer based on class specific revenue per customer targets established in the most recent general rate case. The target 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 revenue divided by number of customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenue.

$CUST_M$ — Number of customers in current month

INT_M — Interest on average monthly balance based on the 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.

DISTRIBUTION ADJUSTMENT CLAUSE

3.~~8~~7 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.

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

Where:

AMPC — Allowable arrearage management plan costs the Company may recover from firm 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

3.~~9~~8 Low Income Discount Recovery Factor (LIDRF):

The Low Income Discount Recovery Factor shall be determined annually based upon the total amount of low income discount applied to eligible customer bills. The low income discount percentages are as follows:

- Residential Assistance Non-Heating, Rate 11: 25% with an additional 5% for a total of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program (formerly known as the Family Independence Program).
- Residential Assistance Heating, Rate 13: 25% with an additional 5% for a total discount of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program.

$$LIDRF = \frac{LIDC}{Dt_T}$$

Where:

DISTRIBUTION ADJUSTMENT CLAUSE

LIDC — Annual low income discounts provided to eligible low income customers which the Company may recover from firm customers.

Dt_T — Forecasted annual firm throughput excluding Rate 11 and Rate 13 forecasted annual throughput.

3.9 Storm Net Revenue Factor (SNRF):

The Storm Net Revenue Factor shall credit customers the value of services performed by the Company's employees in other jurisdictions, including those outside of National Grid USA operating companies' service territories, in accordance with the provisions of the Amended Settlement Agreement ("ASA") in Docket No. 4770. In accordance with the ASA, the Company will credit customers 75 percent of the Storm Net Revenue received by the Company.

$$SNRF = \frac{SNR \times 75\%}{Dt_T}$$

Where:

SNR — The proceeds received or cost reductions achieved for base labor and non-incremental labor overhead costs on all labor (i.e., not just base labor) charged for storm restoration services provided to other utilities, whether affiliated or non-affiliated, less an amount equal to 55.18 percent, which is the labor capitalization rate set in the Company's general rate case.

Dt_T — Forecasted annual firm throughput

~~**3.10 Tax Credit Factor (TCF)**~~

~~The Tax Credit Factor shall credit customers (1) pursuant to the settlement agreement in Docket 4808, a one-time tax credit of $3,064,228 for the period January 1, 2018 through August 31, 2018 associated with the reduced federal corporate income tax rate as a result of the Tax Cuts and Jobs Act; and (2) pursuant to Article II, Section C.22.a of the amended settlement agreement in Docket 4770, a one-time tax credit associated with the impact of the true-up of the excess Accumulated Deferred Income Tax (ADIT) for the period September 1, 2018 through August 31, 2019. The Company will determine the amount to be credited to customers by comparing the actual distribution revenue billed to firm customers during the period September 1, 2018 through August 31, 2019 and an estimate of the distribution revenue that would~~

DISTRIBUTION ADJUSTMENT CLAUSE

~~have been billed to firm customers if the actual impact of excess ADIT had been reflected in base distribution rates effective September 1, 2018. These one-time tax credit amounts will be credited to all firm customers during the period November 1, 2019 through October 31, 2020.~~

~~TCF = TR / Dt_T~~

~~**Where:**~~

~~TR Sum of the one-time tax credits of $3,064,228 and the impact of the true-up of excess ADIT.~~

~~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,~~ ISR factor, Environmental Response Costs factor, Pension Adjustment factor, SQP factor, RDA factor, ESM factor, AMAF, LIDRF, ~~TCF,~~ SNRF, and a Previous Reconciliation factor, including a true-up for any prior year's forecasted revenues and costs. Base rate related items (~~Advanced Gas Technology factor,~~ Pension Adjustment factor and Environmental Response Cost factor) will be reconciled only 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 Earnings Sharing Mechanism Credit ("ESMC") ~~for FY 18 will be included with the September 1 DAC filing based on financial information for the 12-month period ending March 31. All subsequent ESMC~~ will be filed on May 1 and will reflect a 12-month period ending December 31. 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 customers' share of earnings subject to sharing and will be based on the return on equity authorized by the PUC in a general rate case or as otherwise authorized by the PUC. For FY 18, the annual earnings over 9.5% 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 9.5% return on equity shall be shared 75% to customers and 25% to the Company. For all subsequent ESMC, the annual earnings over 9.275% return on equity, and up to and including 100 basis points (i.e., 10.275%), will be shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.275% return on equity (i.e., exceeding 10.275%) shall be shared 75% to customers and 25% to the Company. The Company's share of any shared earnings will be retained by Company and not reflected in any earnings report.

Dt_T — Forecasted annual firm throughput

DEFINITIONS

Actual Base Revenue Per Customer:	The actual base revenue for a rate class for a month divided by the actual number of customers billed for each rate class in the month.
Actual Transportation Quantity:	The quantity of gas actually received during the Gas Day as measured by the metering equipment at the Point(s) of Receipt, adjusted for the applicable Company Fuel Allowance.
Aggregation Pool:	One or more transportation Customer accounts whose gas usage is aggregated into a Marketer's account for operational purposes, including but not limited to nominating, scheduling and balancing gas deliveries to specified Point(s) of Receipt.
Average Normalized Winter Day Usage:	A Customer's average normal winter day's usage, based on their actual gas usage during the most recent November through March period, adjusted for normal degree days, as approved in the most recent general rate case.
Base Revenue:	Base Revenue is the sum of the customer charge, variable distribution charges and demand charges for firm service rate classes. Base Revenue is net of Gross Earnings Tax (GET).
BTU content factor:	One British thermal unit (i.e., the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit at sixty degrees (60°) Fahrenheit). A Therm is one hundred thousand Btus. The BTU content factor for a given volume shall be calculated by the Company on a seasonal basis at the end of October and the end of April based upon an average of the Transporting Pipeline's prior six-month experience of recorded BTU factors.
Capacity Release Revenues:	Revenues derived from the sale of capacity upstream of the city-gate.
Capacity Exempt Customer:	Any Customer who is the customer of record at a location having a Capacity Exemption.
Capacity Exemption:	A location having Gas Usage that is not subject to a mandatory pipeline capacity assignment from the Company. Customers are

DEFINITIONS

	capacity exempt if they (1) elected to retain their Capacity Exemption at a specific location as part of the 1999 revisions to the Company's Business Choice program in Docket RIPUC 2902, (2) receive delivery service on the Company's Non-Firm Sales or Non-Firm Transportation rate schedules, or (3) elected capacity exemption as a New Customer in accordance with Section 6, Transportation Terms and Conditions, Schedule C, Part 1.07.1.
Company Fuel Allowance**:**	The quantity in Therms (as calculated on a percentage basis) by which the gross amount of gas received for Customer's account at the Point(s) of Receipt is reduced in kind in order to compensate the Company for gas loss and unaccounted for, Company use or similar quantity-based adjustment.
Consumption Algorithm**:**	A mathematical formula used to calculate a Customer's daily consumption based on the Customer's historical base load and heat use per heating degree day factor.
Critical Day:	Defined as any day where supply resource constraints are expected to adversely impact the operation of the Company's distribution system. A Critical Day may occur under conditions, such as severe cold temperatures, pipeline emergencies, malfunctions or unusual, out-of-season weather conditions.
Customer:	Any party(s) that has obtained service from the Company pursuant to the General Terms and Conditions or pursuant to the Transportation Terms and Conditions.
Daily Index:	The mid-point of the range of prices for the respective New England Citygates as published by Gas Daily under the heading "Daily Price Survey, Midpoint, Citygates, Algonquin Citygates" and "Daily Price Survey, Midpoint, Citygates Tennessee/Zone 6 (delivered)" for the relevant Gas Day listed under "Flow date(s)." In the event that the Gas Daily index becomes unavailable, the Company shall apply its daily marginal cost of gas as the basis for this calculation until such time that PUC approves a suitable replacement.
Deferred Balance:	The difference between incurred costs and revenues received.

DEFINITIONS

Deferred Gas Cost Balance:	The difference between gas costs incurred and gas revenues received.
Dekatherm (Dt):	Ten Therms or one million Btu's (MMBtu).
Design Winter Sales Sendout:	Sales sendout of Residential Non-Heating, Residential Heating, Small C&I, Medium C&I, Large Low and High Load C&I, and Extra Large Low and High Load C&I during November through March based on design winter temperatures.
Division	The Rhode Island Division of Public Utilities and Carriers.
Electronic Bulletin Board (EBB):	An internet web site which allows both the Company and Marketers to electronically post nominations and other transportation-related information.
EDI	Electronic Data Interchange, the system by which the Company and Marketers initiate transactions and share information.
Environmental Response Costs:	All reasonable and prudently incurred costs associated with evaluation, remediation, clean-up, litigation, claims, judgments, insurance recovery (net of proceeds), and settlements arising out of the Company's utility-related ownership, operation, or use of: (1) manufactured gas production and storage facilities and disposal sites where wastes and materials from such facilities were deposited; (2) mercury regulators; and (3) meter disposal. Also included are the reasonable and prudently incurred costs for acquiring plant, property and equipment to facilitate remediation and other appropriate environmental management objectives in connection with the above sites, properties, and activities. The Company will use its best efforts to minimize Environmental Response Costs consistent with applicable regulatory requirements and sound environmental management policies and practices.
Forecasted Daily Usage (FDU):	Customer's estimated daily consumption for the next gas day as calculated by the Company based upon a forecast of heating degree days and the consumption algorithm.

DEFINITIONS

Gas Day:	A period of twenty-four (24) consecutive hours beginning at 10:00 am (EST) and ending at 10:00 am (EST) the next calendar day.
Gas Usage:	The actual quantity of gas used by the Customer as measured by the Company's metering equipment at the Point of Delivery and converted to Therms.
Hedge Collateral:	Funds the Company is required to put up as collateral on hedge positions by an exchange or counterparty, or funds it receives from an Exchange or counterparty as collateral.
Hedge Collateral Carrying Costs:	For the month being calculated, carrying costs equal the total of the following: (1) For each exchange or counterparty holding the Company's collateral, the monthly short term borrowing rate defined as the Company's money pool rate, times the average hedge collateral daily balance for the month divided by 12, less (2) for each exchange or counterparty where the Company holds their collateral, the monthly short term borrowing rate times the average hedge collateral daily balance for the month divided by 12, less (3) any interest paid to the Company by the exchange or counterparty on the collateral funds it holds. The Company will recover carrying costs from customers or credit customers for carrying costs through the Gas Adjustment. In the event the Company chooses to meet its collateral obligations by posting a letter of credit or other non-cash instrument, the carrying cost will be the direct costs of the letter of credit or alternative non-cash instrument.
Imbalance:	The difference between the Actual Transportation Quantity and Gas Usage.
Interest on Deferred Balance:	Interest revenue/expense required to finance the deferred balance based on the Bank of America Prime Rate less 200 basis points (2%) as in effect from time to time.
Inventory Finance	

DEFINITIONS

Charge:	Finance charges associated with the storage of natural gas as calculated using a working capital calculation.
Local Storage Costs:	Costs associated with the investment, operations, and maintenance of natural gas storage downstream of the city-gate.
Marginal Gas Cost:	The variable cost of the Company's marginal source of supply for the Gas Day. Incremental Cost is a synonymous term.
Marketer:	An entity meeting the eligibility requirements of Section 6, Schedule C, Item 5.03, that is designated in a Transportation Service Application by the Customer to act on its behalf for nomination, notification, scheduling, balancing, and receipt of communications, and which has executed a Marketer Aggregation Pool Service Agreement. A Customer may designate itself as the Marketer provided that they have an executed service agreement with the Transporting Pipeline or provide proof of contract to purchase the gas at the Company's city gate.
Maximum Daily Quantity:	The maximum quantity of gas a customer is authorized to use during the gas day.
Monthly Index:	The simple average of the Daily Indices for the applicable month.
Net Insurance Recoveries:	Proceeds recovered from insurance providers and third parties for Environmental Response Costs, less the cost of obtaining such proceeds through claims, settlements, and litigation.
New Customer:	A Customer taking a supply of gas at a new Point of Delivery that has not been previously served by the Company.
Non-Firm Customer:	A customer who receives service under the Company's Non-Firm rate class.
Non-Firm Transportation Margin:	Margins derived from the transportation of natural gas to non-firm customers downstream of the city gate.
Off-System Sales Margins:	Margins derived from the sale of natural gas upstream of the city-gate.

DEFINITIONS

Operational Flow Order:	The Company's instruction to Marketers and/or Customers to take such action as conditions require, including, but not limited to, diverting gas to or from the Company's distribution system pursuant to Section 6, the Transportation Terms and Conditions, Schedule C, Item 1.04.2.
Peak Day Use:	The estimated use of a customer on the forecasted Gas Day during which the Company's system experiences the highest aggregate Gas Usage. It is calculated by estimating the customer's average use on a day when heat is not required (the baseload use) and the average use per degree day (the heating use) based on the customer's historical usage history. In the event the customer's historical usage is unavailable or not representative of expected future use, the Company will evaluate the customer's gas equipment and its projected utilization in order to calculate the customer's estimated use. The Peak Day Use equals the baseload use plus the product of the use per degree day times the design degree day value as approved by the PUC.
Pipeline Costs:	Costs associated with the entitlement and transmission of natural gas on the interstate pipeline system.
Pipeline Shipper(s):	The party(s) from whom a Marketer has purchased gas to be delivered to and transported by the Company.
Point of Delivery:	A location at which the Company's distribution facilities are interconnected with the Customer's facility.
Point(s) of Receipt:	Outlet side of the measuring station at the interconnection between the Transporting Pipeline and the Company's distribution facilities where gas will be received by the Company for transportation service in its service territory.
PUC	The Rhode Island Public Utilities Commission.
Purchased Gas Working Capital:	The working capital required to finance the Company's purchased gas.
Refunds:	Refunds from pipeline, storage, and suppliers.

DEFINITIONS

Scheduled Transportation Quantity:	The quantity of gas scheduled by the Marketer to be received by the Company for Customer's account during the Gas Day at the Point of Receipt, including the applicable Company Fuel Allowance.
Service Quality Performance Fund:	Deferred account containing accumulated Service Quality adjustments.
Soft-Off	The termination of an account by the Company for billing purposes where there is no new customer of record and the actual flow of gas to the premises is not disconnected.
Supplier Costs:	Costs associated with the entitlement and purchase of natural gas.
Target Revenue Per Customer:	For the period through August 2018, the target revenue per customer amount is that established in Docket 4323. For the period beginning September 2018, it shall be the target revenue per customer establish in Docket 4770.
Therm:	An amount of gas having a thermal content of 100,000 Btus.
Transportation Imbalance Revenues:	Revenues associated with daily and monthly imbalances for transportation customers, as included in the Company's Terms and Conditions of Firm Transportation.
Transporting Pipeline:	The party(s) engaged in the business of rendering transportation service of natural gas in interstate commerce subject to the jurisdiction of the Federal Energy Regulatory Commission, which are transporting gas for Marketer to a Point of Receipt of the Company.
Upstream Storage Costs:	Costs associated with the entitlement, injection, withdrawal, and storage of natural gas upstream of the city-gate.
Working Capital:	The dollar amounts required to support the Company's activities prior to the receipt of revenue.

TAXES AND SURCHARGES

1.0 RHODE ISLAND GROSS EARNINGS TAX:

Unless otherwise indicated, all rates exclude an amount necessary for the payment of Rhode Island Gross Earnings Tax. An amount necessary for the payment of Rhode Island Gross Earnings Tax will be separately identified on bills rendered to customers.

2.0 GROSS EARNINGS TAX REDUCTION FOR MANUFACTURERS:

Consistent with the gross earnings tax exemption provided in Section 44-13-35 of Rhode Island General Laws, eligible manufacturing customers will be billed the applicable Rhode Island Gross Earnings Tax (GET). The Customer is responsible for providing to the Company in writing its tax exemption number and other appropriate documentation. If the Company collected any taxes or assessments from the Customer and is later informed by the Customer that the Customer is exempt from such taxes, it shall be the Customer's responsibility to obtain any refund from the appropriate governmental taxing agency.

Eligible manufacturing customers are those Customers who have on file with the Company a valid certificate of exemption from the Rhode Island sales tax (under section 44-18-30 (7) of Rhode Island General Laws) indicating the Customer's status as a manufacturer. If the Division of Taxation (or other Rhode Island taxing authority with jurisdiction) disallows any part or all of the exemption as it applies to a Customer, the Customer will be required to reimburse the Company in the amount of the credits provided to such Customer which were disallowed, including any interest required to be paid by the Company to such authority.

The Division of Taxation has indicated that it will generally deem 95% of manufacturer's volumes to be for "manufacturing use" eligible for the reduced manufacturer's Gross Earnings Tax rate. Thus, unless usage is separately metered for manufacturing only, 95% of billed amounts for qualified customers will be deemed to be for manufacturing purposes and eligible for the manufacturer's GET credit, whereas the remaining 5% of the billed amount will be subject to the standard GET rate. If usage is separately metered for manufacturing use only, the entire amount will be subject to the reduced manufacturing GET rate.

No other use of gas will be included in this rate for billing purposes.

3.0 OTHER RHODE ISLAND TAXES:

Where applicable at rate or rates in effect from time to time.

TAXES AND SURCHARGES

4.0 ENERGY EFFICIENCY SURCHARGE:

As provided for in Section 39-1-27.7 and Section 39-2-1.2 of Rhode Island General Laws, a charge per dekatherm (Dt) designed to recover the costs of the Company's gas Energy Efficiency Program ("EEP").

With the filing of the Company's EEP plan for the upcoming calendar year, the Company will file its EEP per Dt charge on or before October 1 of each year. In any year in which the Company is required to file a triennial Energy Efficiency Procurement plan, the Company will file the EEP Charge by October 15. The EEP Charge shall be effective on the following January 1. The EEP charge will be designed to collect the estimated costs of the Company's EEP plan for the upcoming calendar year plus a full reconciliation of all costs and revenues for the current year including a reconciliation of forecasted revenue and costs for months of the current year for which actual data is not available at the time of the filing. Any projected amounts included in the EEP charge filing are subject to reconciliation to actual amounts and any difference will be reflected in a future EEP charge filing. Upon approval by the PUC, such a charge (adjusted for the uncollectible percentage approved in the most recent general rate case) shall become effective with usage on or after the effective date.

The Company may file to change the EEP charge at any time should significant over- or under-recoveries occur.

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 costs of the Infrastructure, Safety, and Reliability Plan;
(3) the amortization of the most recent ten years of Environmental Response costs;
(4) Pension costs and Post-retirement Benefits Other than Pensions expenses;
(5) to credit any Service Quality Performance penalties;
(6) any over or under collections of revenue under the Revenue Decoupling mechanism;
(7) the previous year DAC items;
(8) any Earnings Sharing;
(9) any Residential Assistance costs; and
(10) the net revenue received for Storm Restoration services provided in other jurisdictions.

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 Item 3.2.2, the 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 CLAUSE

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, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, an Earnings Sharing Mechanism factor, a Low Income Discount Recovery Factor, a Storm Net Revenue Factor and an Arrearage Management Adjustment Factor. The Distribution Adjustment Charge is calculated as follows:

DAC = SP+ISR+ERCF+PAF+SQP+RDA+AMAF+R+ESM+LIDRF+SNR

Where:

DAC	Distribution Adjustment Charge applicable to all firm throughput.
SP	System Pressure factor. See Item 3.1 for calculation.
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.2 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.3 for calculation.
PAF	Pension Adjustment Factor. See Item 3.4 for calculation.
SQP	Service Quality Performance Factor. See Item 3.5 for calculation.
RDA	Revenue Decoupling Adjustment factor. See Item 3.6 for calculation.
AMAF	Arrearage Management Adjustment Factor. See Item 3.7 for calculation.
LIDRF	Low Income Discount Recovery Factor. See Item 3.8 for calculation.
SNRF	Storm Net Revenue 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.

DISTRIBUTION ADJUSTMENT CLAUSE

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

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed in a manner that identifies and includes all fixed and variable gas supply costs required on an annual basis to maintain pressure within the Company's distribution system and shall identify and consider all gas supply costs that are required to maintain pressure for all portions of the Company's distribution system. The System Pressure factor shall also include a reallocation of fixed gas costs incurred to meet peak hour requirements from the Company's GCR to the DAC:

$$SP = \frac{(GCSP \times SP\%) + GCPH}{Dt_T}$$

Where:

SP	System Pressure Amount.
GCSP	Forecasted Gas Costs associated with supply used to maintain system pressures, including both demand and commodity costs.
SP%	Percent of supply used to maintain system pressures, as established in the most recent general rate case or DAC proceeding.
GCPH	Forecasted fixed Gas Costs incurred to meet the peak hour requirements.
Dt_T	Forecasted annual firm throughput.

3.2 Infrastructure, Safety and Reliability Plan:

3.2.1 Gas Infrastructure, Safety, and Reliability Plan Filing:

DISTRIBUTION ADJUSTMENT CLAUSE

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.

3.2.2 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 Investment as approved by the PUC 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 Investment, at a rate equal to the pre-tax weighted average cost of capital as approved by the PUC in the most recent general rate case, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the PUC in the Company's most recent general rate case adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism.

The Adjusted Cumulative Non-growth Capital Investment shall mean the cumulative actual non-growth capital investment recorded as in service since the end of the Company's rate year in its most recent general rate case, reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment for any period during which Forecasted Non-Growth Investment has not been reconciled to Actual Non-Growth Investment including through the end of the Company's rate year in its last general rate case. Cumulative Revenue Requirements will reflect Adjusted Cumulative Non-Growth Capital Investment 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 general 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 general rate case. Any other costs, including Operation and Maintenance expenses

DISTRIBUTION ADJUSTMENT CLAUSE

mutually agreed upon by the Division and the Company shall be allocated on a per unit basis.

3.2.3 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.

3.3 **Environmental Response Cost Factor (ERCF):**

$$ERCF = \frac{\frac{\sum ERCyr_x}{10} - ERC_{EMB}}{Dt_T}$$

Where:

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

$\sum ERCyr_x$ — The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31.

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

DISTRIBUTION ADJUSTMENT CLAUSE

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.

3.4 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 recoverable actual Pension and PBOP shall reflect expense recorded on the Company's books of account pursuant to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 715, Compensation—Retirement Benefits, as amended in March 2017 in a FASB Accounting Standards Update (formerly Statement of Financial Accounting Standards ("SFAS") 87 and SFAS 106) associated with pension and PBOP. The PAF will be computed on an annual basis for the 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. For the purpose of determining its Minimum Funding Obligation and the carrying costs that apply to that obligation, the Company shall be permitted to combine the funding of pensions and PBOPs, thereby offsetting, any deficiencies in PBOPs funding with any excess pension funding, or conversely offsetting any deficiencies in pension funding with any excess PBOP funding. The Company will be required to accrue and defer carrying charges on only the net unfunded pension/PBOP amount.

3.5 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.

DISTRIBUTION ADJUSTMENT CLAUSE

3.6 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 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 difference between the Target Revenue-per-Customer and the Actual Revenue-Per-Customer for each twelve months ending March 31. The deferral balance will be calculated as follows:

$$RDAF = \frac{\sum_{RC} (AEB_{M-1} + DIFF_M + INT_M)}{Dt_{RC}}$$

Where:

RDAF	Revenue Decoupling Adjustment Factor
$\sum_{RC}$	The sum of the March 31 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
$DIFF_M$	Current month Difference

$$= \quad (RPC_{TM} - RPC_{AM}) \times CUST_M$$

RPC_{TM}	Target Revenue-per-Customer based on class specific revenue per customer targets established in the most recent general rate case. The target 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 revenue divided by number of

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customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenue.

$CUST_M$ — Number of customers in current month

INT_M — Interest on average monthly balance based on the 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.

3.7 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.

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

Where:

AMPC — Allowable arrearage management plan costs the Company may recover from firm 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

3.8 Low Income Discount Recovery Factor (LIDRF):

The Low Income Discount Recovery Factor shall be determined annually based upon the total amount of low income discount applied to eligible customer bills. The low income discount percentages are as follows:

- Residential Assistance Non-Heating, Rate 11: 25% with an additional 5% for a total of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program (formerly known as the Family Independence Program).

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- Residential Assistance Heating, Rate 13: 25% with an additional 5% for a total discount of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program.

$$LIDRF = \frac{LIDC}{Dt_T}$$

Where:

LIDC Annual low income discounts provided to eligible low income customers which the Company may recover from firm customers.

Dt_T Forecasted annual firm throughput excluding Rate 11 and Rate 13 forecasted annual throughput.

3.9 Storm Net Revenue Factor (SNRF):

The Storm Net Revenue Factor shall credit customers the value of services performed by the Company's employees in other jurisdictions, including those outside of National Grid USA operating companies' service territories, in accordance with the provisions of the Amended Settlement Agreement ("ASA") in Docket No. 4770. In accordance with the ASA, the Company will credit customers 75 percent of the Storm Net Revenue received by the Company.

$$SNRF = \frac{SNR \times 75\%}{Dt_T}$$

Where:

SNR The proceeds received or cost reductions achieved for base labor and non-incremental labor overhead costs on all labor (i.e., not just base labor) charged for storm restoration services provided to other utilities, whether affiliated or non-affiliated, less an amount equal to 55.18 percent, which is the labor capitalization rate set in the Company's general rate case.

Dt_T Forecasted annual firm throughput

DISTRIBUTION ADJUSTMENT CLAUSE

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, ISR factor, Environmental Response Costs factor, Pension Adjustment factor, SQP factor, RDA factor, ESM factor, AMAF, LIDRF, SNRF, and a Previous Reconciliation factor, including a true-up for any prior year's forecasted revenues and costs. Base rate related items (Pension Adjustment factor and Environmental Response Cost factor) will be reconciled only 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 Earnings Sharing Mechanism Credit ("ESMC") will be filed on May 1 and will reflect a 12-month period ending December 31. 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:

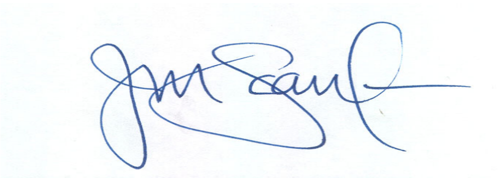
ESMF — Earnings Sharing Mechanism Fund is defined as customers' share of earnings subject to sharing and will be based on the return on equity authorized by the PUC in a general rate case or as otherwise authorized by the PUC. For FY 18, the annual earnings over 9.5% return on equity, up to and including 100 basis points, being shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.5% return on equity shall be shared 75% to customers and 25% to the Company. For all subsequent ESMC, the annual earnings over 9.275% return on equity, and up to and including 100 basis points (i.e., 10.275%), will be shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.275% return on equity (i.e., exceeding 10.275%) shall be shared 75% to customers and 25% to the Company. The Company's share of any shared earnings will be retained by Company and not reflected in any earnings report.

Dt_T — Forecasted annual firm throughput

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.



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Joanne M. Scanlon

November 3, 2021
Date

Docket No. 5165 – National Grid –2021 Annual Distribution Adjustment Charge Filing (DAC) - Service List as of 9/13/2021

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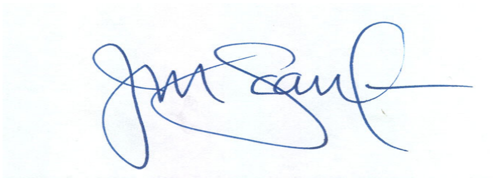

Joanne M. Scanlon

November 3, 2021
Date

Docket No. 5180 – National Grid – 2021 Annual Gas Cost Recovery Filing (GCR) - Service List as of 9/13/2021

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