LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

1.0 PURPOSE

The Local Distribution Adjustment Clause ("LDAC") establishes the procedures that allow The Berkshire Gas Company ("Company"), subject to the jurisdiction of the Massachusetts Department of Public Utilities ("Department"), to adjust on a semi-annual basis, its rates to recover Energy Efficiency ("EE") costs and related working capital, environmental response costs, costs associated with the expert consultants retained by the Attorney General for proceedings before the Department, Pension and Post-Retirement Benefits Other than Pension costs, Residential Assistance costs, costs associated with the Company's Gas System Enhancement Program ("GSEP"), costs associated with incremental supply procured to ensure there is sufficient supply to meet system hourly flow requirements, and to return to firm ratepayers Balancing Penalties, and a portion of Non-Firm Distribution Margins allocated to firm distribution services. Any costs recovered through the application of this LDAC shall be identified and explained in the Company's annual filing as outlined in Section 14.0.

2.0 APPLICABILITY

This LDAC shall be applicable to all of the Company's firm Customers. As stated in Section 15.0, the application of the clause may, for good cause shown, be modified by the Department.

3.0 DEFINITIONS

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

1. Peak Season is the winter heating season as designated by Berkshire and approved by the Department, currently the consecutive months November to April, inclusive.

2. Off-Peak Season is the complementary summer season as designated by Berkshire, currently the consecutive months May to October, inclusive.

3. Total Throughput (T:Thru) is the forecasted firm throughput volumes in Therms for twelve consecutive months November to October, inclusive.

4. Number of Days Lag (DL) is the number of days lag to calculate the working capital requirement as approved by the Department as set in the Company's most recent rate case.

5. Tax Rate (TR) is the combined state and federal tax rate.

6. Weighted Cost of Capital is the weighted cost of capital as set in the Company's most recent rate case.

7. Cost of Debt (CD) is the weighted cost of debt as set in the Company's most recent rate case.

8. Cost of Equity (CE) is the weighted cost of equity as set in the Company's most recent rate case.

DEFINITIONS (CONT'D)

9. Distribution Revenue Allocator (DRA) is derived from the most recent general rate case approved by the Department and shall be as follows by Rate Class Grouping:

Residential	51.57%
Small Commercial & Industrial	14.50%
Medium Commercial & Industrial	11.39%
Large Commercial & Industrial	14.16%
Extra Large Commercial & Industrial	8.38%
Total	100.00%

10. Rate Class Grouping is the grouping of similar rate classes to form the basis for the allocation of certain categories in the LDAC. The Rate Class Groupings are defined as: Residential, Small Commercial and Industrial (Rate G-41 and Rate G-51 series), Medium Commercial and Industrial (Rate G-42 and Rate G-52 series), Large Commercial and Industrial (Rate G-43 and Rate G-53 series) and Extra Large Commercial and Industrial (Rate T-54).

11. Energy Efficiency Expenditures (EEE) are Energy Efficiency program costs as approved by the Department.

12. Energy Efficiency Lost Margins (LM) are margins lost as a result of the implementation of EE measures, calculated by identifying total volumes of gas saved as a result of EE measures, times the margin that would have been earned on those volumes.

13. Energy Efficiency Performance Incentives (PI) are incentives earned by the Company and approved by the Department.

14. EE Reconciliation is the balance in account 175.40 for the Residential rate category (EERr) and the balance in account 175.50 for the C&I rate category (EERci) as outlined in Section 11.0

15. Energy Efficiency Surcharge (EES) is the allowable per-unit collection rate derived from the EE program costs, specified by rate category.

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

17. Unamortized Environmental Responses Costs (UERC) are the portion of the environmental responses costs approved for recovery but not yet included in any LDAC recovery calculation.

18. Deferred Tax Benefit (DTB) shall be the unamortized portion of actual environmental responses costs multiplied by the effective statutory federal and state income tax rates and by the Company's tax-adjusted cost of capital as approved in its last rate proceeding.

DEFINITIONS (CONT'D)

19. Expenses (IE) and Recoveries (IR) associated with insurance and third-party claims shall include fifty percent of the expenses incurred and fifty percent of any net recoveries or other benefits received by the Company as a result of such claims. Any insurance or third party recoveries to be passed back to ratepayers through this Clause will be net of any insurance or third party expenses not collected from ratepayers.

20. Remediation Adjustment Clause Reconciliation Adjustment (RRAC) is the balance in account 175.60 as outlined in Section 11.0.

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

22. Accumulated Reserve for Depreciation is the cumulative net credit balance arising from the provision for Depreciation Expense.

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

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

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

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

DEFINITIONS (CONT'D)

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

26. Existing Infrastructure is mains, services, meter sets, and other ancillary facilities composed of non-cathodically protected steel, cast iron and copper [G.L. c. 164, § 145(c) and (d)].

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

28. Gross Plant Investments are the capitalized costs of GSEP plant investments including costs of removal recorded on the Company's books for Eligible Infrastructure Replacement Measures. Gross Plant Investment for a GSEP Investment Year shall be the cumulative actual and planned cost of Eligible Infrastructure Replacement Projects completed through the end of the year prior to the current GSEP Investment Year and the planned capitalized investment for the current GSEP Investment Year associated with the GSEP Plan filed with the Department on October 31 of the year prior to the GSEP Investment Year. Actual capitalized cost of GSEP Investments shall include allowance for funds used during construction ("AFUDC") and applicable overhead and burden costs subject to the test provided in Section 6.2.

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

30. GSERAF is the Gas System Enhancement Reconciliation Adjustment Factor that recovers the GSEP Reconciliation Adjustment. The GSERAF shall be filed on or before May 1 for effect November 1 following each GSEP Investment Year.

DEFINITIONS (CONT'D)

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

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

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

34. GSEP Reconciliation Adjustment is the difference between the GSEP Revenue Requirement on cumulative Eligible GSEP Investment for a GSEP Investment Year and the billed revenue from the GSEAF associated with the same GSEP Investment Year. The GSEP Revenue Requirement, for this purpose, shall reflect actual cumulative Eligible GSEP Investment. The GSEP Reconciliation Adjustment shall include interest on any balance, except deferral amounts over the cap relating to costs included in CY 2025 or later, accrued at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates. The GSEP Reconciliation Adjustment shall be recovered through the GSERAF.

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

36. Incidental Infrastructure is any connected facilities such as services, meters, or regulators, or pre-existing pipe segments, including but not limited to, plastic and cathodically protected steel pipe segments, that must be installed, replaced or retired to enable the replacement project to become operational and/or manage the costs of the replacement project, and where such plastic and cathodically protected steel pipe segments are not more than 50 percent of the total replacement project footage.

37. Non-Emitting Renewable Thermal Infrastructure is a utility-scale -distribution infrastructure project that replaces natural gas distribution infrastructure with distribution infrastructure that supplies heating, or heating and cooling, from energy sources that do not emit greenhouse gases, as defined by section 1 of chapter 21N of the Massachusetts General Laws; provided, however, that such infrastructure may include, but shall not be limited to, a networked geothermal and deep geothermal system.

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

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

40. Rate Base Allocators are the allocation factors for each GSEP Rate Class Sector that are applied to the GSEP Revenue Requirements that the Company is allowed to recover through the GSEAF to determine the GSEAF rate for each Rate Class Sector. The following are the Rate Base Allocators as approved by the Department in the Company's most recent general distribution rate proceeding:

Residential	53.88%
Small C&I	16.16%
Medium C&I	13.28%
Large C&I	15.10%
Extra Large C&I	1.59%
Total	100.0%

41. Labor Allocator is derived from the most recent base rate case as approved by the Department and shall be as follows by Rate Class Grouping:

Residential	67.81%
Small C&I	16.93%
Medium C&I	8.23%
Large C&I	6.39%
Extra Large C&I	0.64%
Total	100.0%

42. ERISA is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.

43. Pension Costs are all costs associated with the Company's Pension Plans as determined by ASC 715 each year, and as approved by the Department in the Company's most recent annual LDAC filing, excluding Energy Efficiency-related pension costs and pension costs recovered via the Cost of Gas Adjustment Clause.

44. Pension Plan is a Qualified Pension Plan, as defined by ERISA.

45. Post-Retirement Benefits Other Than Pensions ("PBOP") are the PBOP shall be the Company's post retirement benefits other than pensions including any post-employment benefits other than pensions, including Berkshire direct costs, as well as costs billed as part of the management service bill.

46. Pre-Paid/Unfunded Pension and PBOP Amount is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and recognized in accordance with ASC 715.

Prepaid amounts excludes unamortized non-cash balances in the prepaid accounts related to ASC 715 and unamortized merger-related fair value adjustments.

47. Prior Year is the calendar year previous to the effective date of a proposed Pension and PBOP Adjustment Factor.

48. Pension & PBOP Reconciliation Deferral is the difference between: (1) the total pension and PBOP expense based on the actuarial forecast of pension and PBOP expense approved by the Department in the Company's applicable LDAC filing; and (2) the total expense amounts booked by the Company in accordance with the requirements of ASC 715 for the same year.

49. Balancing Penalties (BP) are the penalty revenues collected by the Company in accordance with its Terms and Conditions.

50. Economic Benefit is the difference between the revenue and the marginal cost determined to provide non-firm distribution service.

51. Non-Firm Distribution Margin (NFM) is ten percent (10%) of the economic benefit derived from the provision of non-firm distribution services.

52. Rate Category is a rate schedule for Distribution Service, or a group of such rate schedules, for which the Department has approved a single Energy Efficiency Surcharge for Energy Efficiency services provided by the Company as follows: Residential, Commercial/Industrial, and Other.

53. Attorney General Consultant Expenses (AGCE) are all reasonable costs and expenses associated with the Attorney General's retention of a consultant to assist with a proceeding before the Department. The Department, after hearing comments from the full parties to the proceeding, may approve the costs. The costs for a consultant shall not exceed $150,000 per proceeding, unless approved by the Department based on exigent circumstances, including the complexity of the proceeding. Once the costs have been approved by the Department, these costs shall be recognized by the Department for all purposes as proper business expenses of the Company, and are recoverable through rates without further approval by the Department.

54. Attorney General Consultant Expense Reconciliation Adjustment (R_{AGCE}) is the balance in account 175.90 as outlined in Section 11.6.

55. Winter Relief Adjustment Factor (WRAF) is the Winter Relief Adjustment Factor where an average residential customer will receive an average $20 monthly bill credit each January and February for the term of the Settlement Agreement in D.P.U. 25-170 beginning in 2027.

4.0 ENERGY EFFICIENCY COSTS ALLOWABLE FOR LDAC

All expenditures for a twelve month period as contained in the Company's Energy Efficiency budgets as defined and approved by the Department, including, but not limited to, Energy Efficiency Program Costs, Reconciliation Adjustments, Energy Efficiency Lost Margins, Energy Efficiency Performance Incentives, Working Capital and Interest. At the end of each twelve month period, the Company will include the Reconciliation Adjustment associated with over- or under-recoveries of allowable EE

Expenditures billed over the prior twelve month period. Pursuant to the to the Department's approved Energy Efficiency Guidelines, estimated lost margins and performance incentives approved in the Company's Plan may be collected during the term of the Plan and shall be reconciled at the end of the term in the Company's Term Report.

5.0 ENVIRONMENTAL RESPONSE COSTS ALLOWABLE FOR LDAC

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

The total annual charge to the Company's ratepayers for Environmental Response Costs during any Remediation Cost Recovery Year shall not exceed five (5) percent of the Company's total revenues from firm gas sales during the preceding calendar year. If this limitation results in the Company recovering less than the amount that would otherwise be recovered in a particular Remediation Cost Recovery Year, then beginning with the date upon which the annual charge would have been effective, carrying costs shall accrue to the Company upon the unrecovered portion of the Remediation costs that otherwise would have been allowable. Carrying costs shall accrue through the Remediation Cost Recovery Year in which such amount, together with any accumulated carrying costs, is actually recovered by the Company from its ratepayers and shall accrue at the pre-tax weighted cost of capital rate as defined in Section 3.0.

6.0 GAS SYSTEM ENHANCEMENT PROGRAM ("GSEP") COSTS ALLOWABLE FOR LDAC

The annual recovery of the annual Revenue Requirements associated with the replacement, retirement, or improvement of existing natural gas distribution infrastructure to improve public safety or infrastructure reliability subject to the review and approval of the Department. In accordance with G.L. c. 164, § 145(b), all costs associated with the GSEP are incurred to address aging or leaking natural gas infrastructure within the Commonwealth in the interest of public safety and reducing lost and unaccounted for natural gas through a reduction in natural gas system leaks.

6.1 LIMITATIONS ON ANNUAL GSEAF and GSERAF CHARGES

Unless modified by the Department, annual changes in the GSEP recovery, exclusive of recovery relating to Non Pipe Alternatives ("NPA's") that may be billed in any year shall be limited by a cap ("GSEP Cap"), which is an amount equal to 2.0 percent, or 3.0 percent for non pipeline alternatives of the Company's most recent calendar year total firm delivery revenues at the time of the October plan filing plus imputed gas revenues for sales and transportation customers, calculated as the product of (1) the historical average cost of gas per therm from the period starting in 2013 and ending with the most recent year that actual data is available at the time of the October plan filing and (2) the average of weather normalized sales from sales and transportation throughput over the same period [G.L. c. 164, § 145 (f)].

In addition, in the instance where the GSERAF is a surcharge to customers, the recovery of the annual GSERAF that may be billed in any year beginning in November 1 will be limited by the difference between the GSEP Cap and the annual change in the GSEP recovery.

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

Additionally, consistent with the Department's ruling in D.P.U. 25-GSEP-02, the Company shall apply a separate cap of 1.0 percent of the Company's annual firm revenues, as described previously, to GSEP recovery for NPAa associated with Eligible Infrastructure, as defined in Section 3.

Application of the GSEP Cap shall not affect the calculation of GSEP recovery, including GSEP Revenue Requirement, in subsequent periods. However, any GSEP recovery approved by the Department in excess of the GSEP Cap may be deferred for recovery in the following year. Such deferrals shall accrue carrying charges if they relate to GSEP costs included in CY 2024 or earlier. Deferrals arising due to cap overages resulting from costs included in CY 2025 or later shall not accrue carrying charges.

6.2 OVERHEAD AND BURDEN ADJUSTMENTS

For purposes of GSEP calculations, the actual overheads and burdens shall be reduced to the extent that actual O&M overheads and burdens in a given year including the Pension/PBOP Adjustment Factor ("PAF") are less than the amount included in base distribution rates as determined in the Company's last general rate case and the PAF. Such reduction shall be the difference between the actual O&M overheads and burdens and PAF and the amount included in base distribution rates and PAF. In addition, the percentage of capitalized overheads and burdens assigned to GSEP projects shall be set equal to the ratio of GSEP to non-GSEP direct costs in any given year.

7.0 PENSION AND POST-RETIRMENT BENEFITS OTHER THAN PENSION COSTS ALLOWABLE FOR LDAC

All non-capitalized costs associated with pensions and post-retirement benefits other than pensions ("PBOPs"), excluding Energy Efficiency-related pension and PBOP costs, and the reconciliation of each year's actuarial forecast of pension and PBOP expense amounts included in the Company's LDAC with the total expense amounts booked by the Company pursuant to FASB Accounting Standards Codification Topic 715 – Compensation – Retirement Benefits ("ASC 715") may be included in the LDAC as approved by the Department.

8.0 RESIDENTIAL ASSISTANCE ADJUSTMENT COSTS ALLOWABLE FOR LDAC

The amount of incremental costs related to the Company's approved Arrearage Residential Management Program ("AMP") as approved in D.T.E. 05-86 and the low income discount will be included in the LDAC and recovered through the Residential Assistance Adjustment Factors ("RAAF"). The level of discount and associated reduced or discounted revenue is set at a fixed percentage of total bill. The total bill discount percentages are as follows:

- Residential Assistance Non-Heating, R-2, 25%

- Residential Assistance Heating, R-4, 25%

The associated reduced or discounted revenue shall be equal to the fixed percentage applied to the calculated total bill of all customers taking service under the low-income tariff rates (R-2 and R-4).

9.0 ATTORNEY GENERAL CONSULTANT EXPENSES ALLOWABLE FOR LDAC

Attorney General Consultant Expenses include all reasonable and proper costs and expenses that have been approved by the Department during the pendency of a docket involving Berkshire, including generic proceedings before the Department.

10.0 FORMULAS

10.1 Local Distribution Adjustment Factor ("LDAF")

The annual LDAF shall comprise a Rate Category specific Energy Efficiency Surcharge ("EES"), a Rate Category Specific Energy Efficiency Working Capital Factor ("EEWCF"),the Remediation Adjustment Factor ("RAF"), the Gas System Enhancement Adjustment Factor ("GSEAF"), the Gas System Enhancement Reconciliation Adjustment Factor ("GSERAF"), a Pension and Pension Benefits Other than Pensions Adjustment Factor ("PAF"), a Residential Assistance Adjustment Factor ("RAAF"), the Balancing Penalty Credit Factor ("BPCF"), the Non-Firm Distribution Credit Factor ("NFC"), the Attorney General Consultant Expense Factor ("AGCEF"), the System Supply Factor("SSF"), and the Winter Relief Adjustment Factor ("WRAF") calculated prior to the first day of each season as designated by the Company according to the following formula:

LDAFs = EESr-ci + EEWCFr-ci + RAFs + GSEAFs + GSERAFs + PAFs + RAAFs – BPCFs – NFCFs + AGCEFs + SSF + WRAF

Where:

r-ci Designates a separate factor for the Residential and Commercial/Industrial sectors as part of the Company's Energy Efficiency programs.

s Designates a separate factor for each Rate Class Grouping.

10.2 Energy Efficiency Surcharge

The EES shall be applied to firm throughput of the Company as determined in accordance with the provisions of this rate schedule and shall be incorporated within the calculation of the LDAF for each Rate Category as set forth in Section 10.1.

Calculation of EES

The Energy Efficiency Surcharge for residential customers (EESr) shall be calculated according to the following formula:

$$EESr = \frac{EEEr + LMr + PIr + Rr}{R{:}Vol}$$

Where:

EEEr: EE Expenditures for residential customers net of any low-income EE Expenditures recovered from commercial and industrial customers in PCci below.

LMr: Energy efficiency lost margins for the residential rate category.
PIr: Energy efficiency performance incentives for the residential rate category.
Rr: Energy efficiency residential reconciliation adjustment – Account 175.40 balance, inclusive of the associated Account 175.40 interest, to be included for recovery in the subsequent Energy Efficiency Surcharge.

R:Vol: Forecasted residential annual throughput volumes to which the EEr applies.

The Energy Efficiency Surcharge for commercial and industrial customers (EEci) shall be calculated according to the following formula:

$$EESci = \frac{EEEci + LMci + PIci + Rci}{CI:Vol}$$

Where:

EEEci: EE Expenditures for commercial and industrial customers plus EE expenditures for low-income customers served on a commercial and industrial rate.

LMci: Energy efficiency lost margins for the commercial and industrial rate category.

PIci: Energy efficiency performance incentives for the commercial and industrial rate category.

Rci: Energy efficiency commercial and industrial reconciliation adjustment – Account 175.50 balance, inclusive of the associated Account 175.50 interest, to be included for recovery in the subsequent Energy Efficiency Surcharge.

CI:Vol: Forecasted commercial and industrial annual throughput volumes to which the EESci applies.

10.3 Energy Efficiency Working Capital Factor:

The Energy Efficiency Working Capital Factor for residential customers (EEWCFr) shall be calculated according to the following formula:

$$EEWCFr = \frac{EEWCreq * (CD + (CE/(1-TR)))) + EEWCRr}{T:Thru}$$

$$EEWCreq = PCr * (DL/365)$$

Where:

EEWCreq: EE expenditures allowable for working capital allocation for the residential rate category

EEWCRr: Working Capital Reconciliation Adjustment associated with annual residential EE Expenditures - Account 142.40.

The Energy Efficiency Working Capital Factor for commercial and industrial customers (EEWCFci) shall be calculated according to the following formula:

$$EEWCFci = \frac{EEWCreq * (CD + (CE/(1-TR)))) + EEWCRci}{T:Thru}$$

EEWCreq= PCci * (DL/365)

Where:

EEWCreq: EE expenditures allowable for working capital allocation for the commercial and industrial rate category.

EEWCRr: Working Capital Reconciliation Adjustment associated with annual commercial and industrial EE Expenditures - Account 142.50.

10.4 Remediation Adjustment Factor

The RAF consists of one-seventh of the actual Environmental Response Costs incurred by the Company in any calendar year for each year until fully amortized, less a deferred tax benefit, plus one-half of insurance and third-party expenses for the calendar year, less one-half of the insurance and third-party recoveries for the calendar year, plus the prior year's RAF reconciliation adjustment. This amount is then divided by the Company's forecast of total firm throughput volumes for the upcoming year.

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

The RAF shall be calculated according to the following formula:

$$RAFs = \frac{(Sum(ERC/7) – DTB + ((IE – IR)*0.5) + Rrac) * DRAs}{T:Thrus}$$

Where:

DTB = UERC * TR * (CD + (CE/(1-TR)))

10.5 Gas System Enhancement Adjustment Factor ("GSEAF") Formula:

CAP = RC * TOT_REV

And:

$$GSEP_REC_c = [\sum_{m=12}^{m=1} (RB \times PTRR)] + DEPR + PTMS - OFF$$

And:

$$RB = ((GP_{pm} - ARD_{pm} - ADIT_{pm}) + (GP_{cm} - ARD_{cm} - ADIT_{cm})) \div 2$$

If:

$$CAP \leq GSEP_REC_c - GSEAF_REC_p$$

Then:

$$GSEAF_s = \frac{(GSEP_REC_c - ((GSEP_REC_c - GSEAF_REC_p) - CAP)) \times RBA_s}{A: TPvol_s}$$

Else:

$$GSEAF_s = \frac{(GSEP_REC_c + DEF_REC) \times RBA_s}{A: TPvol_s}$$

And:

$$DEF_REC = \text{Lesser of } (DEF_r \text{ or } (CAP - (GSEP_REC_c - GSEAF_REC_p)))$$

Where:

s	Designates a separate factor for each Rate Class Sector.
$GSEAF_s$	The Gas System Enhancement Adjustment Factor, by Rate Class Sector, as defined in Section 3.0 [10].
GSEP_REC	The GSEP Recovery, consisting of GSEP Revenue Requirement associated with the cumulative Eligible GSEP Investments for the respective GSEP Investment Year. Cumulative Eligible GSEP Investments will consist of actual and planned investment from January 1, 2015 through the end of the respective GSEP Investment Year.
$GSEAF_REC_p$	The annual recovery amount reflected in the GSEAF for the applicable prior GSEP Investment Year. The current year GSEP_REC is compared against the $GSEAF_REC_p$ to quantify the change in the recovery that is to be compared to the CAP.
RBA_s	Rate Base Allocator for each Rate Class Sector, as specified in Section 3.0 [40].
$A:TPvol_s$	Forecasted Annual Throughput Volumes for each Rate Class Sector, inclusive of all firm sales and firm transportation throughput.

RB	The Rate Base associated with the cumulative Eligible GSEP Investments. For the purpose of establishing the GSEAF and the GSEP Reconciliation Adjustment, the Rate Base will be calculated using actual monthly balances for GP, ARD, and ADIT.
PTRR	The pre-tax rate of return shall be the after-tax weighted average cost of capital established by the Department in the Company's most recent general rate proceeding, adjusted to a pre-tax basis by using currently effective federal and state income tax rates applicable to the period of the Eligible GSEP Investment.
DEPR	The annual depreciation expense associated with the cumulative monthly Eligible GSEP Investments. For purposes of determining the GSEAF and the GSEP Reconciliation Adjustment, depreciation expense is calculated on a monthly basis based on the actual depreciation recognized on the monthly plant balances used in determining RB.
PTMS	The property taxes calculated based on the cumulative net GSEP plant investment at the end of the GSEP Investment Year multiplied by the Property Tax Rate established by the Department in the Company's most recent general distribution rate proceeding. Property taxes will be included in the GSEP Revenue Requirement beginning in the year following the GSEP Investment Year at 50% of the annual property tax amount for the first year. In subsequent years, the GSEP Revenue Requirement will reflect a full year of property taxes.
OFF	The total GSEP Offset associated with reduced leak repair operating and maintenance costs. The GSEP Offset for the first GSEP Investment Year will be 50% of the annual GSEP Offset calculated. In subsequent years, the GSEP Offset will reflect a full year of the calculated GSEP Offset. For purposes of determining the GSEP Reconciliation Adjustment for the first year of each GSEP Investment Year, the annual GSEP Offset will be allocated to months based on the cumulative monthly mains investment.
GP	The cumulative GSEP Gross Plant Investments including cost of removal.
ARD	The Accumulated Reserve for Depreciation associated with the cumulative Eligible GSEP Investments.
ADIT	The Accumulated Deferred Income Taxes associated with the cumulative Eligible GSEP Investments.
DEF	Cumulative actual Reconciliation Adjustment amounts for the prior GSEP Investment Years which have not been reflected in rates due to being in excess of the CAP and are deferred for recovery in a subsequent GSEAF.
DEF_REC	Amount of DEF that is allowed for recovery in the GSEAF.

CAP	The maximum change in the revenue requirement to be billed in any given year through the Company's GSEAF and GSERAF together.
RC	The Revenue Cap is equal to 2.0 percent on annual GSEP-related spending or 3.0 percent for non-pipeline alternatives.
TOT_REV	The total annual delivery revenue from sales and transportation customers during the calendar year prior to the year in which the GSEP investment plan is filed plus imputed gas revenues for sales and transportation customers, calculated as the product of (1) the historical average cost of gas per therm from the period starting in 2013 and ending with the most recent year that actual data is available at the time of the October plan filing and (2) the average of weather-normalized sales from sales and transportation throughput over the same period.
c	The current year.
p	The prior year.
cm	The current month.
pm	The prior month.
r	Subsequent GSERAF Filing.

10.6 Gas System Enhancement Reconciliation Adjustment Factor ("GSERAF") Formula:

If $(RA - DEF_REC - GSERAF_REV_{Apr\text{-}Oct}) < 0$

Then:

$$GSERAF_s = \frac{(RA - DEF_REC - GSERAF_REV_{Apr\text{-}Oct}) \times RBA_s}{A: TPvol_s}$$

Else:

If $CAP < GSEP_REC_c - GSEAF_REC_p + DEF_REC$

Then:

$GSERAF = 0$

Else:

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

And:

$$GSERAF_s = \frac{RA_REC \times RBA_s}{A: TPvol_s}$$

And:

$$DEF = RA - RA_REC - DEF_REC_f - GSERAF_REV_{Apr\text{-}Oct}$$

Where:

$GSERAF_s$	The Gas System Enhancement Reconciliation Adjustment Factor, by Rate Class Sector, as defined in Section 3.0 [10].
s	Designates a separate factor for each Rate Class Sector.
RA	GSEP Reconciliation Adjustment – Account 175.95, inclusive of the associated interest, as outlined in Section 11.3, for the GSEP Investment Years as of May 1 of each year.
RA_REC	GSEP Reconciliation Adjustment that is allowed to be recovered in the GSERAF.
RBA_s	Rate Base Allocator for each Rate Class Sector, as specified in Section 3.0 [40].
$A:TPvol_s$	Forecasted Annual Throughput Volumes for each Rate Class Sector, inclusive of all firm sales and firm transportation throughput.
CAP	The maximum change in the revenue requirement to be billed in any given year through the Company's GSEAF.
GSEP_REC	The GSEP Recovery, consisting of GSEP Revenue Requirement associated with the cumulative Eligible GSEP Investments for the respective GSEP Investment Year. Cumulative Eligible GSEP Investments will consist of actual and planned investment from January 1, 2015 through the end of the respective GSEP Investment Year.
GSEAF_REC	The annual recovery amount reflected in the GSEAF for the applicable prior GSEP Investment Year. The current year GSEP_REC is compared against the GSEAF_RECp to quantify the change in the recovery that is to be compared to the CAP.
c	The current year.
p	The prior year.
f	Subsequent GSEAF filing.
$GSERAF_REV_{Apr\text{-}Oct}$	GSERAF revenue estimated for the period April through October of the current year.
DEF_REC	Amount of DEF that is allowed for recovery in the GSEAF.

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

10.7 Residential Assistance Adjustment Factor Formula

The RAAF shall be calculated according to the following formula:

$$RAAFs = \frac{(RS + RAMP + RA) * DRAs}{A:TPvols}$$

and:

RS = Cust(DCust x D%) + Cust(AvgT)(DDist x D%)

Where:

RAAF:	The annual Residential Assistance Adjustment Factor.
RS:	The Revenue Shortfall resulting from the application of discounts off of the total regular R-1 and R-3 rates.
RAMP:	The incremental costs associated with the administration of the Company's RAMP.
RA:	The Reconciliation Adjustment shall include the amount of (over)/under collection of the RS and the RAMP from the end of the Prior Year, inclusive of the associated interest. Reconciliations shall be performed monthly and interest shall be calculated on the average monthly reconciling balance consistent with Department regulations and added to the reconciling balance.
A:TPvol:	Annual forecasted firm throughput volumes inclusive of all firm sales and firm transportation throughput.
Cust:	The estimated increase in number of customers enrolled on the low-income rates.
DCust:	The monthly charges for the applicable rates including monthly service charges..
D%:	The applicable Fixed Discount Percentages described in Section 8.0 applied to the total billing calculated at the rates of customers under the Company's low-income tariffs (R-2 and R-4).
AvgT:	The estimated average weather-normalized therm usage per customer for the forecast period as determined by the Company.
DDist:	The volumetric charges for the applicable rates including distribution charges, GAF, LDAF and any other volumetric charges.
DRA:	Distribution Revenue Allocator as described in Section 3.0 [9]

s: Designates a separate factor for each Rate Class Grouping.

10.8 Pension and Post-Retirement Benefits Other than Pensions Adjustment Factor (PAF) Formula:

PAFisx = (((PEXP+PBOPEXP+RAc+CCi(URDc+APPAc–DTAc)+PPRAc) x LABs) ÷ A:TPvols

Where:

PAF: The annual Pension/PBOP Adjustment Factor.

PEXP: The actuarial forecast of Pension Expense for the current year.

PBOPEXP: The actuarial forecast of PBOP Expense for the current year.

RAc: The Reconciliation Adjustment for $Year_c$ shall equal one-third of each year's Reconciliation Deferral, as defined in Section 11.6 recorded during the prior three years.

CC: The Cost of Capital is the tax-effected weighted-average cost of capital as defined in Section 3.0.

URDc : The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral not yet included for recovery in the PAF. At the beginning of Yearc the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

APPAc : The Average Pre-Paid/Unfunded Pension and PBOP Amount for Yearc is one half of the sum of: (1) the Pre-Paid/Unfunded Pension and PBOP Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid/Unfunded Pension and PBOP Amount recorded on the Company's books as of the end of the Prior Year.

DTAc : The Deferred Tax Amount is the deferred taxes associated with the Pre-Paid/Unfunded Pension and PBOP Amount and the URD at the end of the Prior Year.

PPRAc : Pension and PBOP Reconciliation Adjustment – Account 175.8 balance, inclusive of the associated Account 175.8 interest, as outlined in Section 11.6.

A:TPvol: Annual forecasted throughput volumes inclusive of all sales and transportation throughput.

c : The current year.

p : The prior year.

LAB: Labor Allocator as defined in Section 3.0 [39].

s: Designates a separate factor for each Rate Class Grouping.

10.9 Annual Non-Firm Distribution Credit Factor

The NFCF shall be calculated according to the following formula:

$$NFCFs = \frac{NFM * DRAs}{T:Thrus}$$

10.10 Attorney General Consultant Expense (AGCE) Factor Formula

The AGCEF shall be calculated according to the following formula:

$$AGCEF = \frac{(AGCE + RAAG_{CE)} * DRAs}{T:Thrus}$$

Where:

AGCE: Attorney General Consultant Expenses as defined in Section 9.0.

$RAAG_{CE}$: Attorney General Consultant Expense Reconciliation Adjustment - Account 175.90 inclusive of the associated interest, as outlined in Section 11.7.

DRA: Distribution Revenue Allocator as described in Section 3.0 [9]

10.11 System Supply Factor (SSF)

The purpose of the System Supply Factor is to allow for the recovery of incremental supply costs from all customers, including capacity-exempt customers, to ensure sufficient supply is available to meet the hourly requirements needed to ensure there is adequate pressures into the distribution system. The System Supply Factor shall be computed in a manner that identifies and includes all fixed and variable gas supply costs required on an annual basis to meet these requirements. The System Supply Factor shall also include a re-allocation of gas supply costs incurred to meet these requirements from the Company's cost of gas adjustment factor clause to this LDAC.

System Supply Factor Formula

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

Where:

SSF	System Supply Factor
FGC	Forecasted Gas Costs associated with supply used to maintain capacity requirements, including both demand and commodity costs.
RA	SSF Reconciliation Adjustment, as defined in Section 11.9.
A:TPvol	Forecast November – October Annual Throughput Volumes of all firm sales and firm transportation throughput.

The System Supply Factor shall be calculated to the nearest one one-hundredth of a cent per therm ($0.0001) and will be applied to the monthly sales and transportation throughput.

The Company shall make its SSF reconciliation as part of its November 1st LDAC filing each year. The SSF Reconciliation Adjustment shall be the difference between the forecasted gas costs defined in Section 0 and the billed revenue from the SSF over the same period. The SSF Reconciliation Adjustment shall include interest on any balance, accrued at the prime rate. Such filing shall include reconciliation of data for prior periods, as appropriate, consistent with the filing requirements of all costs information included in the LDAC.

The System Supply Factor will be effective on November 1 of each year. For purposes of billing, however, such factor will be included in LDAF as set forth in Section 10.1.

10.12 Winter Relief Adjustment Factor (WRAF)

The purpose of the Winter Relief Adjustment Factor is to provide residential customers winter bill relief of $1,414,160 by applying a per therm credit amount of $0.1348 during each January and February for the term of the Settlement Agreement in D.P.U. 25-170 beginning in 2027. The discounted amounts will be recovered during the off-peak with no carrying charges. The typical residential heating customer will receive an average monthly credit of $20.

$$WRAF = \frac{(FRCC*FABC*NWM + RA)}{R: TPvol}$$

Where:

WRAF	Winter Relief Adjustment Factor.
FRCC	Forecasted Monthly Residential Customer Count.
FABC	Forecasted Average Bill Credit Per Month
NWM	Number Of Winter Months Receiving Bill Credit

RA	WRAF Reconciliation Adjustment
R:TPvol	Forecast January & February Residential Customer Throughput Volumes of all firm sales and firm transportation throughput.

11.0 RECONCILIATION ADJUSTMENTS

11.1 Energy Efficiency Charges

Account 175.40 shall contain the accumulated difference between EEr revenues toward EEr costs as calculated by multiplying the EEr times monthly residential volumes and EE costs allowable per base formula. Account 175.50 shall contain the accumulated difference between EEci revenues toward EEci costs as calculated by multiplying the EEci times monthly commercial and industrial volumes and EE costs allowable per base formula. Interest shall be calculated on the average monthly balance of the EE accounts using consensus prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates and then added to each end-of-month balance. The residential EE reconciliation adjustment shall be taken as the Account 175.40 balance as of a reconciliation date as designated by Berkshire. The commercial and industrial EE reconciliation adjustment shall be taken as the Account 175.50 balance as of a reconciliation date as designated by Berkshire.

11.2 Environmental Response Cost

Account 175.60 shall contain the accumulated difference between revenues toward environmental response costs as calculated by multiplying the RAF times monthly firm sales plus transportation throughput and environmental response costs allowable per formula. A RAF reconciliation adjustment shall be taken as the Account 175.60 balance as of a reconciliation date as designated by Berkshire.

11.3 Gas System Enhancement Program ("GSEP") Costs

Account 175.95 shall contain the accumulated difference between revenues billed through the GSEAF for a GSEP Recovery associated with a respective GSEP Investment Year, as calculated by multiplying the GSEAFs times the respective Rate Class Sector monthly firm sales and transportation throughput, plus the revenues billed through the GSERAF as calculated by multiplying the GSERAFs times the respective Rate Class Sector monthly firm sales and transportation throughput , unless otherwise identified in the Company's billing records, and the revenue requirement associated with the actual Eligible GSEP allowed, plus carrying charges applied in accordance with Section 10.6. Any deferral of GSEP Recovery as a result of the limitation of the amount allowed to be billed in any one year in accordance with the GSEP Cap shall be reflected in the GSEP Reconciliation Adjustment Account with the monthly calculation of carrying charges as set out in Section 10.6.

The GSEP Revenue Requirement will initially be based on planned spending for Eligible Infrastructure Replacement Projects for the GSEP Investment Year, plus cumulative actual and planned investment in eligible in-service plant through the end of the prior GSEP Investment Year. Pursuant to Section 14.3 below, upon Department approval of actual Eligible GSEP Investment, the Company shall adjust the GSEP Revenue Requirement of the applicable GSEP Investment Year.

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

11.4 Residential Assistance Costs

Account 175.99 shall contain the accumulated difference between revenues toward Residential Assistance Costs as calculated by multiplying the annual Residential Assistance Adjustment factor times monthly throughput volumes.

11.5 Non-Firm Distribution Credit

Account 175.7 shall contain the accumulated difference between Non-Firm Credits and revenues credited as calculated by multiplying the Non-Firm Credit factor times monthly throughput volumes.

11.6 Pension Costs

Account 175.8 shall be the cumulative difference between (1) the revenue toward the pension and PBOP costs approved to be recovered through the LDAC, calculated by multiplying the Pension and PBOP Adjustment Factor times monthly firm throughput volumes and (2) the same year's total Pension and PBOP expense amounts associated with the current year as approved for recovery through the LDAC, which includes the actuarial estimate of pension and PBOP expense determined in accordance with ASC 715 plus the carrying charges on the Unamortized Reconciliation Deferral and Average Pre-Paid/Unfunded Pension and PBOP Amount, net of Deferred Tax, and excludes the Pension and PBOP Reconciliation Adjustment.

11.7 Attorney General Consultant Expenses

Account 175.90 shall contain the accumulated difference between revenues toward Attorney General Consultant Expenses, as calculated by multiplying the Attorney General Consultant Expense Factor (AGCEF) times the total monthly firm throughput, and the Attorney General Consultant Expenses allowed. Interest shall be calculated on the average monthly balance of the AGCE account using the consensus prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates and then added to each end-of-month balance.

11.8 Working Capital Costs

(a) Account 142.40 shall contain the accumulated difference between the Residential Energy Efficiency Working Capital Allowance and the Revenue toward the Energy Efficiency Working Capital Allowance. The Residential Energy Efficiency Cost Working Capital Reconciliation Adjustment shall be taken as the Account 142.40 balance as of a reconciliation date as designated by Berkshire.

(b) Account 142.50 shall contain the accumulated difference between the C&I Energy Efficiency Working Capital Allowance and the Revenue toward the Energy Efficiency Working Capital Allowance. The C&I Energy Efficiency Cost Working Capital Reconciliation Adjustment shall be taken as the Account 142.50 balance as of a reconciliation date as designated by Berkshire.

11.9 System Supply Factor

Shall contain the accumulated difference between revenues toward System Supply Factor as calculated by multiplying the SSF by monthly firm sales and transportation throughput, and SSF costs allowed, plus carrying charges calculated on the average monthly balance using the the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates and then added to the end-of-month balance.

11.10 Winter Relief Discount

Account 186 shall contain the accumulated difference between revenues toward Winter Relief, as calculated by multiplying the Winter Relief Adjustment Factor (WRAF) times the total monthly firm throughput, and the Winter Relief allowed without carrying charges.

12.0 EFFECTIVE DATE OF LOCAL DISTRIBUTION ADJUSTMENT FACTORS

The date on which the semi-annual Local Distribution Adjustment Factors ("LDAF") become effective will be the first day of the annual period as designated by the Company. Unless otherwise notified by the Department, the Company shall submit an LDAF filing as outlined in Section 14.0 at least 90 days before it is to take effect and Gas System Enhancement Adjustment Factor ("GSEAF") filings by October 31.

13.0 APPLICATION OF LDAF TO BILLS

The LDAF will be applied to the monthly firm throughput volumes for each Customer in a Rate Class Grouping. For billing purposes, the Energy Efficiency Factor (EES), shall be shown separately on customer bills. The annual LDAF for each Rate Class Grouping shall be calculated to the nearest-hundredth of a cent per Therm.

14.0 INFORMATION TO BE FILED WITH THE DEPARTMENT

Information pertaining to the LDAF shall be filed with the Department in accordance with the standardized forms approved by the Department. Required filings include a monthly report which shall be submitted to the Department on the twentieth of each month, a semi-annual LDAF filing which shall be submitted to the Department at least 90 days before the date on which the new LDAF is to be

effective, and an annual RAC filing which shall be submitted at least 90 days before the date on which the new LDAF is to be effective.

The annual RAC filing will include copies of all bills and receipts relating to any environmental response costs and expenses related to insurance and third-party recoveries incurred in the preceding calendar year. The annual RAC reconciliation shall be submitted with each LDAF filing along with documents of the RAC reconciliation adjustment calculations.

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

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

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

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

(c) The estimated cost of each project;

(d) Rate change requests;

(e) A description of customer costs and benefits under the plan, including the costs of potential stranded assets and the benefits of avoiding financial exposure to such assets;

(f) The relocations, where practical, of a meter located inside of a structure to the outside of said structure for the purpose of improving public safety;

(g) Documentation demonstrating that the feasibility of advanced leak repair and relining methods has been considered as a means of reducing leaks and extending the useful life of the assets associated with each project; and

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

14.2 Information on Timeline for Removal of Leak-Prone Infrastructure

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

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

14.3 Information to be filed with the Department for GSEP Reconciliation ("GREC")

On or before May 1 of each year subsequent to a GSEP Investment Year, the Company shall file its GSEP Reconciliation ("GREC"). This filing shall include:

(a) Final project documentation for projects completed in the prior year to demonstrate: (1) substantial compliance with the GSEP Plan in effect for the respective GSEP Investment Year; (2) that replacement or retirement of Incidental Infrastructure which constitutes more than 25 percent and less than 50 percent, inclusive, of a project's total footage was either operationally necessary or cost effective; and (3) that project costs were reasonably and prudently incurred;

(b) The revenue requirement based on the actual costs submitted in the GREC filing, which shall form the basis of the GSERAF; and

(c) The proposed GSERAF rate to be effective November 1.

15.0 OTHER RULES

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

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

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

16.0 CUSTOMER NOTIFICATION

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