

Docket No. DG 16-852
Hanover/Lebanon Franchise Petition
Illustrative Calculation of Risk Sharing Mechanism

Year	Phase I Revenue		
	Phase I Revenue	Requirement	Difference
1	\$ 346,258	\$ 692,516	\$ (346,258)
2	\$ 346,258	\$ 686,783	\$ (340,525)
3	\$ 346,258	\$ 678,754	\$ (332,496)
4	\$ 346,258	\$ 671,975	\$ (325,717)
5	\$ 346,258	\$ 666,352	\$ (320,094)

Permanent Rates Take Effect Year 2

Average revenue (years 2-4)	\$346,258
Average revenue requirement (years 2-4)	\$679,171
Difference	(\$332,913)
Revenue Requirement Reduction	(\$166,456)

Year	Phase II Revenue		
	Phase II Revenue	Requirement	Difference
6	\$ 779,223	\$ 1,558,447	\$ (779,223)
7	\$ 779,223	\$ 1,518,038	\$ (738,815)
8	\$ 779,223	\$ 1,480,234	\$ (701,011)
9	\$ 779,223	\$ 1,444,225	\$ (665,001)
10	\$ 779,223	\$ 1,409,412	\$ (630,189)

Permanent Rates Take Effect Year 7

Average revenue (years 7-9)	\$779,223
Average revenue requirement (years 7-9)	\$1,480,832
Difference	(\$701,609)
Revenue Requirement Reduction	(\$350,805)