17 LOCAL DISTRIBUTION ADJUSTMENT CLAUSE

A. Purpose. The purpose of the Local Distribution Adjustment Clause ("LDAC" or this "Clause") is to establish procedures that allow the Company, subject to the jurisdiction of the NHPUC, to adjust, on an annual basis, its delivery charges in order to recover Conservation Charges ("CC"), Revenue Decoupling Adjustment Clause ("RDAC") charges , Winter Period Surcharges ("WPS"), Environmental Surcharges ("ES") including the Relief Holder Surcharge ("RHS") and the Manufactured Gas Program Surcharge ("MGP"), rate case expenses ("RCE"), Residential Low Income Assistance Program costs ("RLIAP") and any other expenses the NHPUC may approve from time to time.

B. Applicability. This Clause shall be applicable in whole or part to all of the Company's firm sales service and firm delivery service customers as shown on the table below. The application of this clause may, for good cause shown, be modified by the NHPUC. See Section 17(K) "Other Rules."

Applicability	CC 17(C)	RDAC 17(D)	ES 17(E)	RCE 17(F)	RLIAP 17(G)
Residential Non-Space Heating – R-1, R-5	1	1	X	1	X
Residential Space Heating – R-3, R-4, R-6, R-7	1	1	X	1	X
Small C&I – G-41, G-51, G-44, G-55	1	1	X	1	X
Medium C&I – G-42, G-52, G-45, G-56	1	1	X	1	X
Large C&I – G-43, G-53, G-54, G-46, G-57, G-58	1	1	X	1	X

Notes:
N/A Not applicable
X Applicable to all
1 As ordered by the NHPUC

C. Conservation Charges Allowable for LDAC.

1. Purpose: The purpose of this provision is to establish a procedure that allows the Company, subject to the jurisdiction of the NHPUC, to adjust, on an annual basis, the Conservation Charge, if and when applicable, to firm sales service and firm delivery service throughput in order to recover from firm customers costs and lost margins associated with its energy efficiency management programs.

2. Applicability: A conservation charge shall be applied to therms sold or transported by the Company subject to the jurisdiction of the NHPUC as determined in accordance with the provision of this rate schedule. Such conservation charge shall be determined annually by the Company, separately for the Residential Heating, and Commercial/Industrial rate categories, subject to review and approval by the Commission as provided for in this rate schedule.

3. Calculation of Conservation Charge: The Company will properly assign expenses for forecasted conservation expenditures to the applicable rate categories for a future twelve (12) month period commencing November 1 of each year. The total of such conservation expenditures plus any prior period reconciling adjustments shall be divided by therm sales as forecasted by the Company for the same annual period and rounded to the nearest hundredth of a cent. The resulting conservation charge shall be included in the Company's Local Distribution Adjustment Charge and applied to

actual therms sold or transported for the following twelve (12) month period starting November 1, and ending October 31.

4. Reporting: The Company shall submit annual reports to the Commission reconciling any difference between the actual conservation expenditures and actual revenues collected under this rate schedule. The difference whether positive or negative will be carried forward into the conservation charge for the next recovery period. Upon completion of the conservation program(s), any over or under collection may be credited or charged to the deferred Winter Period cost of gas account, subject to Commission approval.

5. Effective Date: On or before the first business day in September of each year, the Company shall file with the NHPUC for its consideration and approval, the Company's request for a change in the CC applicable to each Rate Category during the next subsequent twelve-month period commencing with the calendar month of November.

6. Reconciliation Adjustment: Account 1163-1755 shall contain the cumulative difference between the sum of the DSM expenditures incurred by the Company plus the sum of the DSM repayments and the revenues collected from customers. The Company shall file the reconciliation along with the COG filing on or before the first business day in September of each year.

D. Revenue Decoupling Adjustment Clause

1. Purpose: The purpose of the Revenue Decoupling Adjustment Clause ("RDAC") is to establish procedures that allow the Company, subject to the jurisdiction of the NHPUC, to adjust, on an annual basis, its rates for firm gas sales and firm transportation service in order to reconcile Actual Base Revenue per Customer with Benchmark Base Revenue per Customer. The Company's RDAC eliminates the link between volumetric sales and Company revenue in order to align the interests of the Company and customers with respect to changing customer usage.

2. Effective Date: The RDAC shall take effect beginning on November 1, 2018, and replace the Lost Revenue Adjustment Mechanism (LRAM) established in Order No. 25,932 (Docket No. DE 15-137).

3. Applicability: The Revenue Decoupling Adjustment Factor shall apply to all of the Company's firm tariff Rate Schedules, subject to the jurisdiction of the Commission, as determined in accordance with the provisions of this RDAC.

4. Definitions: The following definitions shall apply throughout the RDAC:

    a. Actual Base Revenue is the actual revenue derived from the Company's distribution rates for a given Decoupling Year for a Customer Class. The Company will use monthly distribution revenues and Actual Number of Customers to determine the Monthly Actual Base Revenue per Customer.

    b. Actual Number of Customers is the actual number of Equivalent Bills for the applicable Customer Class for the applicable month of the Decoupling Year.

    c. Billing Year is the 12-months commencing November 1 immediately following the completion of the Decoupling Year.

    d. Customer Class is the group of all customers taking service pursuant to the same Rate Schedule.

e. Customer Class Group is the group of Rate Schedules combined for purposes of calculating the Revenue Decoupling Adjustment billing rates. The two Customer Class Groups are as follows:

Residential Customer Class Group (CG1): defined as both Residential Non-Heating Customer Class and Residential Heating Customer Class, shall consist of all customers taking service pursuant to the Company's residential rate schedules. CG1 shall include customers taking service under rate schedules R-1, R-3, R-4, R-5, R-6 and R-7.

The Commercial and Industrial Customer Class Group (CG2): shall consist of all customers taking service pursuant to one of the Company's general service rate schedules, G-41, G-42, G-43, G-44, G-45, G-46, G-51, G-52, G-53, G-54, G-55, G-56, G-57 and G-58.

f. Decoupling Year. The first Decoupling Year shall be the 10-month period from November 1, 2018 to August 31, 2019. Each subsequent Decoupling Year shall be the twelve months commencing September 1 through August 31.

g. Equivalent Bill. The number of days in the billing period of each customer's bill divided by 30.

h. Real-time weather normalization adjustment is the difference between actual distribution revenue billed to each customer in each billing cycle for each month or portion thereof during the Winter Period, and what distribution revenue for each customer's bill would have been based on normalized therm deliveries for the same period. The resulting charge or credit will be added to or subtracted from each customer's bill at the time the bill is rendered (i.e., "real time").

i. Benchmark Base Revenue per Customer is the monthly allowed distribution revenue per Equivalent Bill for a given Decoupling Year for a given Customer Class, reflecting the distribution revenue level and approved equivalent bills from the Company's most recent rate case or other proceeding that results in an adjustment to base rates. Benchmark Base Revenue per Customer will be calculated for each month based on the distribution rates in effect at the start of the Decoupling Year and the calculation will be revised for the remaining months of each Decoupling Year if there is a distribution rate change that occurs following the beginning month of each Decoupling Year.

j. Winter Period. The time period from November 1 of a given year through April 30 of the following year.

5. Calculation of Revenue Decoupling Adjustment

a. Description of Revenue Decoupling Adjustment

At the conclusion of each Decoupling Year, the Company shall calculate a Decoupling Revenue Adjustment to be used to determine the RDAF for the next Billing Year, effective November 1.

The Revenue Decoupling Adjustment shall be determined by calculating the monthly difference between the Benchmark Base Revenue per Customer times the actual number of Equivalent Bills for the applicable Customer Class and the Actual Base Revenue for that month. The sum of these monthly Revenue Decoupling Adjustments in the Decoupling Year shall be divided by forecasted Billing Year sales to derive the volumetric rate per therm to be applied to customers' bills in the Billing Year. The Revenue Decoupling Adjustment shall also include a reconciliation component for the previous Decoupling Year, which represents the difference between the accrued decoupling amount in the Decoupling Year compared to the actual revenues billed in the billing Year.

b. Revenue Decoupling Adjustment Formulas

$$RD_T = \sum_{CG=1}^{CG=2} \left[\left(BRPC_{T-1}^{CG}\, x\, ACUSTS_{T-1}^{CG} \right) - AR_{T-1}^{CG} \right) \right]$$

And:

$$RDAF = \frac{RD + DEF_{bal}}{P\colon Thru_T}$$

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

$ACUSTS_{T-1}^{CG}$:	The Actual Number of Equivalent Bills for the applicable Customer Class for the most recently completed Decoupling Year (T-1)
AR_{T-1}^{CG}:	The Actual Base Revenue for the applicable Customer Class for the most recently completed Decoupling Year, (T-1), as defined in Section 4(D). For purposes of calculating the Actual Base Revenue, base revenues for Low Income rate class R-4, shall be determined based on non-discounted rate R-3.
$BRPC_{T-1}^{CG}$:	The Benchmark Base Revenue Per Equivalent Bill for the applicable Customer Class as determined in accordance with Section 4 (D) for the most recently completed Decoupling Year, stated on a monthly basis (T-1).
cg	Customer Class Groups as defined in Section 4(D).
DEF_{bal}	The balance of the unrecovered deferrals inclusive of associated interest using the prime lending rate.
P: Thru:_T	Forecast Throughput Volumes inclusive of all firm tariff throughput for the Billing Year.
RD	The Revenue Decoupling adjustment to revenues, representing the sum of the monthly Revenue Decoupling Adjustments in the Decoupling Year.
$RDAF_T$:	The Revenue Decoupling Adjustment Factor for the Billing Year.

6. Calculation of the RDAC Reconciliation Adjustments

Account 1163-1756 shall contain the accumulated difference between annual revenues and the Revenue Decoupling Adjustment, as calculated by multiplying the RDAF times firm sales and transportation throughput, and the Revenue Decoupling Adjustment allowed revenues annually, plus carrying charges on the average monthly balance using the prime lending rate.

7. <u>Application of the RDAC to Customer Bills</u>

   a. The RDAF ($ per therm) shall be calculated annually for each Customer Group and shall be truncated at the nearest one one-hundredth of a cent per therm. The annual calculated Customer Group RDAF will be applied to the monthly firm tariff throughput for each customer in that particular Customer Group, effective November 1 of the given year.

   b. The real-time weather normalization adjustment is calculated as the difference between actual distribution revenue billed to each customer in each billing cycle for each month or portion thereof during the Winter Period, and what distribution revenue for each customer's bill would have been based on normalized therm deliveries for the same period. The resulting charge or credit will be added to or subtracted from each customer's bill at the time the bill is rendered (i.e., "real time").

8. <u>Information to be Filed with the Commission</u>

   Information pertaining to the RDAC will be filed annually with the Commission consistent with the filing requirements of all costs and revenue information included in the LDAC. Such information shall include:

   a. The calculation of the applicable revenue decoupling revenue dollar adjustment for the Decoupling Year.

   b. The calculation of the revenue decoupling reconciliation dollar adjustment for the previous Decoupling Year.

   c. The calculation of the proposed decoupling rate per therm for each customer class group to be applied in the Billing Year.

   d. The calculation of the monthly Benchmark Base Revenue per Customer, to be utilized in the upcoming Decoupling Year. If distribution rates change during the Decoupling Year, the monthly Benchmark Base Revenue per Customer for the remaining months of the Decoupling Year will be revised and filed with the Commission.

E. Environmental Surcharges ("ES") Allowable for LDAC.

1. <u>Purpose</u>: In order to recover expenditures associated with former manufactured gas Programs, there shall be an ES Rate applied to all firm volumes billed under the Company's delivery service charges.

2. <u>Applicability</u>: An annual ES Rate shall be calculated effective every November 1 for the annual period of November 1 through October 31. The annual ES Rate shall be filed with the Company's Winter season Cost of Gas Clause ("COG") filing and be subject to review and approval by the Commission. The annual ES Rate shall be applied to firm sales and to firm delivery throughput as a part of the LDAC. Special contract customers are exempt from the ES.

3. <u>Costs Allowable</u>: All approved environmental response costs associated with manufactured gas Programs may be included in the ES Rate

   The total annual charge to the Company's customers for environmental response costs during any annual ES recovery period shall not exceed five percent (5%) of the Company's total revenues from firm gas sales and delivery throughput during the preceding twelve (12) month period ending June 30. The total annual charge shall represent the ES expenditures reflected in the calculation of the ES Rate to be in effect for the upcoming twelve-month period, November 1 through October 31. If this recovery limitation results in the Company recovering less than the amount that would otherwise be recovered in a particular ES Recovery Year, then the Company would defer this unrecovered amount, with interest, calculated monthly on the average monthly balance, until the next recovery period in which this amount could be recovered without violating the 5% limitation. The interest rate is to be adjusted monthly using the monthly prime lending rate, as reported by the Federal Reserve Statistical Release of Selected Interest Rates.

4. Effective Date: On or before the first business day in September of each year, the Company shall file with the NHPUC for its consideration and approval, the Company's request for a change in the ES applicable to all firm sales and firm delivery service throughput for the subsequent twelve-month period commencing with the calendar month of November.

5. Definitions:

   Environmental Response Costs shall include all costs of investigation, testing, remediation, litigation expenses, and other liabilities relating to manufactured gas Program sites, disposal sites, or other sites onto which material may have migrated, as a result of the operating or decommissioning of New Hampshire gas manufacturing facilities. These cost shall include the costs of the closure of the Relief Holder and pond at Gas Street, Concord, NH. The ES shall also include the expenses incurred by the Company in pursuing insurance and third-party claims and any recoveries or other benefits received by the Company as a result

6. Reconciliation Adjustments: Prior to the Winter Period COG, the Company shall calculate the difference between (a) the revenues derived by multiplying firm sales and delivery throughput by the ES Rate, and (b) the historical amortized costs approved for recoveries in the prior November's Annual ES Recovery Period. Account 1920-1863 shall contain the cumulative difference and the Company shall file the reconciliation along with its COG filing on or before the first business day in September of each year.

7. Calculation of the ES: The ES Rate calculated annually consists of one-seventh of actual response costs incurred by the Company in the twelve-month period ending June 30 of each year until fully amortized (over seven years). Any insurance and third-party recoveries or other benefits for the twelve month period ending June 30 shall be applied to reduce the unamortized balance, shortening the amortization period. The sum of these amounts is then divided by the Company's forecast of total firm sales and delivery throughput for the upcoming twelve months of November 1 through October 31.

8. Application of ES to Bills: The annual ES Rate shall be calculated to the nearest one one-hundredth of a cent per therm and shall be applied to the monthly firm gas sales and firm delivery service throughput by being included in the determination of the annual LDAC, and also shall be included in the Distribution Adjustment of the Delivery Charges of each firm customer's bill.

F. Expenses Related to Rate Cases/Temporary Rate Reconciliation Allowable for LDAC.

1. Purpose: The purpose of this provision is to establish a procedure that allows the Company to adjust its rates for the recovery of NHPUC-approved rate case expenses and the reconciliation of temporary rates.

2. Applicability: The Rate Case Expenses/Temporary Rate Reconciliation (“RCE”) shall be applied to all firm tariffed customers. The RCE will be determined by the Company, as defined below.

3. Rate Case Expenses Allowable for LDAC: The total amount of the RCE will be equal to the amount approved by the Commission.

4. Effective Date of Rate Case Expense Charge: The effective date of the RCE will be determined by the NHPUC in an individual rate proceeding.

5. Definition: The RCE includes all rate case-related expenses approved by the NHPUC. This includes legal expenses, costs for bill inserts, costs for legal notices, consulting fees processing expenses, and other approved expenses. The temporary Rate reconciliation will include the variance between the delivery revenues obtained from the rates prescribed in the temporary rate order and the delivery revenues obtained from the final rates approved by the NHPUC.

6. Rate Case Expense/Temporary Rate Reconciliation (RCE) Factor Formulas: The RCE will be calculated according to the Commission Order issued in an individual proceeding to establish details including the number of years over which the RCE shall be amortized and the allocation of recovery among rate classes. In general, the RCE Factor will be derived by dividing the annual portion of the total RCE, plus the RCE Reconciliation Adjustment, by forecast firm annual throughput.

7. Reconciliation Adjustments: Account 1930-1745 shall contain the accumulated difference between revenues toward Rate Case Expenses as calculated by multiplying the Rate Case Expense Factor ("RCEF") times the appropriate monthly volumes and Rate Case Expense allowed, plus carrying charges added to the end-of-month balance. The carrying charges shall be calculated beginning on the first month of the recovery period by applying the monthly prime lending rate, as reported by the Federal Reserve Statistical Release of Selected Interest Rates to the average monthly balance.

   At the end of the recovery period, any under or over recovery will be included in an active LDAC component, as approved by the Commission.

8. Application of RCE to Bills: The RCE ($ per therm) shall be calculated to the nearest one one-hundredth of a cent per therm and shall be applied to the monthly firm gas sales and firm delivery service throughput by being included in the determination of the annual LDAC, and also shall be included in the Distribution Adjustment of the Delivery Charges of each firm customer's bill.

9. Information to be Filed with the NHPUC: Information pertaining to the RCE will be filed with the NHPUC consistent with the filing requirements of all cost and revenue information included in the LDAC. The RCE filing will contain the calculation of the new RCE and will include the updated RCE reconciliation balance.

G. Recoverable Residential Low Income Assistance Program Costs.

1. Purpose: The purpose of this provision is to establish a procedure that allows the Company, subject to the jurisdiction of the NHPUC, to recover the revenue shortfall (costs) associated with customers participating in the Residential Low Income Assistance Program ("RLIAP"). Such costs, as well as, associated administrative and marketing costs shall be recovered by applying an RLIAP rate to all firm sales and transportation service throughput.

2. Applicability: The RLIAP Rate shall be applied to all firm sales and transportation tariff customers. The RLIAP Rate shall be filed with the Company's Winter season Cost of Gas Clause filing and shall be determined annually by the Company and be subject to review and approval by the Commission.

3. Effective Date: On or before the first business day in September of each year, the Company shall file with the NHPUC for its consideration and approval, the Company's request for a change in the

RLIAP Rate applicable to all firm sales, delivery and transportation service throughput for the subsequent twelve-month period commencing with the calendar month of November.

4. RLIAP Costs Allowable for LDAC: The costs to be recovered through the RLIAP Rate shall comprised of the revenue shortfall calculated by forecasting the number of customers enrolled in the RLIAP and the associated volumetric billing determinants for the upcoming annual recovery period and applying those billing determinants to the difference between the regular and reduced low income residential base rates, plus administrative, marketing and startup costs. The RLIAP Rate shall be calculated by dividing the resulting costs, plus any prior period reconciling adjustment, by the forecast of annual firm sales and transportation service throughput.

5. RLIAP Factor Formula

$$RLIAPF = \frac{RLIAP + RA_{RLIAP}}{A{:}\ TPev}$$

where:

A: Tpev	Forecast Annual Throughput Volumes of all firm sales and transportation tariffed customers eligible to receive firm delivery-only service from the Company.
RLIAP	RLIAP costs comprising of the revenue shortfall associated with customer participation, plus administrative, marketing, IT and start-up costs.
RA_{RLIAP}	RLIAP Reconciliation Adjustment - Account 1169-1756, inclusive of the associated Account 1169-1756 interest, as outlined in Section 17(G)(6).

6. Reconciliation Adjustments: Prior to the Company's Winter season Cost of Gas filing, the Company will calculate the difference between (a) the revenue derived by multiplying the actual firm sales and delivery service throughput by the RLIAP Rate through October 31st, and (b) the actual costs of the program which consists of (1) the revenue shortfall calculated by applying the actual billing determinants of the RLIAP classes to the difference in the regular and reduced residential base rates in effect for the annual reconciliation period and (2) the start-up, administrative and marketing costs associated with the implementation of the program, plus carrying charges calculated on the average monthly balance using the monthly prime lending rate, as reported by the Federal Reserve Statistical Release of Selected Interest Rates. The combined costs will then be recorded in the deferred RLIAP account 1169-1756. The Company shall file the reconciliation along with its COG filing on or before the first business day in September of each year.

H. Effective Date of Local Distribution Adjustment Clause. The LDAC shall be filed annually and become effective on November 1 of each year pursuant to NHPUC approval. In order to minimize the magnitude of future reconciliation adjustments, the Company may request interim revisions to the LDAC rates, subject to review and approval of the NHPUC.

I. Local Distribution Adjustment Clause Formulas. The LDAC shall be calculated on an annual basis, by customer, by summing up the various factors included in the LDAC, where applicable.

LDAC Formula

$$LDAC^{X} = CC^{X} + RDAC^{X} + ES + GREF^{x} + RCE + RLIAP$$

and:

$$ES^{X} = RHS + MGP$$

where:

$LDAC^{X}$ = Annualized class specific LDAC.

CC^X = Annualized class specific CC or EE Charge.

$RDAC^X$ = Annualized class specific RDAC.

ES = Total firm annualized ES.

RHS = Annualized charge to recover the costs of the closure of the Relief Holder at Gas Street, Concord, NH

MGP = Annualized charge to cover the remediation costs related to former manufactured gas plants.

$GREF^X$ = Total firm annualized class specific Gas Restructuring Expense Factor.

RCE = Rate Case Expense Factor.

RLIAP = Residential Low Income Assistance Program Rate

J. Application of LDAC to Bills. The component costs comprising the LDAC ($ per therm) shall be calculated to the nearest one one-hundredth of a cent per therm and shall be applied to the monthly firm sales and firm delivery service throughput in accordance with the table shown in Section 17(B).

K. Other Rules.

1. (1) The NHPUC may, where appropriate, on petition or on its own motion, grant an exception from the provisions of these regulations, upon such terms that it may determine to be in the public interest.

2. Such amendments may include the addition or deletion of component cost categories, subject to the review and approval of the NHPUC.

3. The Company may implement an amended LDAC with the NHPUC approval at any time.

4. The NHPUC may, at any time, require the Company to file an amended LDAC.

5. The operation of the LDAC is subject to all powers of suspension and investigation vested in the NHPUC.

L. Amendments to Uniform System of Accounts.

1163-1755 **Energy Efficiency Reconciliation Adjustment:** This account shall be used to record the cumulative difference between the sum of DSM and/or EE Expenditures incurred by the Company plus the sum of DSM and/or EE Repayments and the revenues collected from customers pursuant to this clause with respect to a given Rate Category. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 17(C).

1920-1863 **Environmental Response Costs Reconciliation Adjustment:** This account shall be used to record the cumulative difference between the revenues toward environmental response costs as calculated by multiplying the ES times monthly firm sales volumes and delivery service throughput and environmental response costs allowable per formula. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 17(E).

1930-1745 **Rate Case Expense/Temporary Rates Reconciliation Adjustment:** This account shall be used to record the cumulative difference between the recovery and actual amounts of third-party incremental expenses associated with the Company's Rate Case initiatives and the difference between the final and temporary distribution rates. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 17(F).

1169-1756 **Residential Low Income Assistance Program Reconciliation Adjustment:** This account shall be used to record the cumulative difference between the actual revenue derived from the actual sales and transportation service throughput multiplied by the RLIAP rate and the actual costs of the program, which consists of the revenue shortfall and all administrative and marketing costs, as outlined in the Local Distribution Adjustment Clause, 17(G).

1163-1756 **Revenue Decoupling Adjustment Factor:** This account shall be used to record the cumulative difference between the lost revenue of the Company and the revenue collected from customers pursuant to this clause with respect to a given Rate Category. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 17(D).

Draft Decoupling Message

Bill Insert

As part of the approval of Liberty Utilities' recent rate case, we will be implementing a change in the way we charge our customers for gas delivery service.

In April, the New Hampshire Public Utilities Commission issued a ruling on our rate case filing (DG 17-048). As part of the filing we requested revenue decoupling. Our request was granted and as a result you will see a change on your bill.

Revenue decoupling separates a utility's revenue from overall gas usage. If customers use more gas as a result of colder than normal temperatures, customers will receive a bill credit. Conversely, if customers use less gas as a result of warmer than normal temperatures, there will be an additional charge on customers' bills. This allows the company to more accurately set and meet budgets and removes the disincentive to promote energy efficiency programs. It also provides for more stability in bill amounts that would otherwise vary due to temperature extremes.

For a complete explanation of decoupling, please visit our website…

Website, etc.

What is Revenue decoupling? It's the disconnection or decoupling of a utility's revenue from customer usage. The Commission has determined a just and reasonable revenue level, based on the fixed costs to run and maintain a safe and reliable gas system. Under decoupling, this revenue will not be affected by customer usage that varies due to abnormal weather.

Why did Liberty ask for decoupling? This arrangement means the company can better budget and plan for expenses and revenues. It also means the company is not penalized when customers use less gas due to conservation and energy efficiency measures taken. Decoupling will also compensate for extreme weather events that put Liberty's revenue significantly above or below budget. The benefit to customers is less fluctuation in the distribution charges on their bills and further incentive to participate in energy efficiency programs.

Does this mean Liberty is guaranteed a profit regardless of how they manage their business? No. The company has an agreed level of revenue but not a guaranteed profit. The company still needs to control costs and make good business decisions in order to be profitable. Both of which are reviewed and regulated by the Commission.

How will decoupling work? Before decoupling, when we forecasted our budget, we predicted our revenue using several factors including historic trends based on weather. We know the typical amount of gas used in a "normal" month but sometimes a month can be colder or warmer than normal. If a month was colder than normal, the company made more money due to increased usage. If a month was warmer than normal, the company made less money due to decreased usage.

With decoupling we apply an adjustment to customers' bills in order to compensate for variations in expected weather during the customer's billing cycle. We calculate the difference between the typical (or normal) weather and the actual weather and apply a credit or a charge to customers' bills so that the revenue collected matches our forecast.

How will this affect my bill?

Each month you will see a new line item on your bill called Normal Weather Adjustment. This will show a credit or charge on your bill to compensate for a colder or warmer than normal month.

If the month is colder than normal, our customers will use more gas. This means we will collect more revenue than budgeted. The Normal Weather Adjustment would apply a credit to customers' bills to refund that over collection.

If a month is warmer than normal, customers will use less gas than expected and the company will fall short of its expected revenue. In this case the Normal Weather Adjustment will show up as a charge on customers' bills.

PLEASE NOTE that the Gas Supply Charge is based on market pricing. We purchase gas on the open energy market and pass those costs on to customers without a markup in price. Gas supply pricing can vary significantly. This is especially true when comparing summer to winter pricing. Decoupling will not affect the Gas Supply Charge on customers' bills.

Is my bill still based on how much gas I use? Yes, you are still charged based on the number of therms of gas you use.

Will my bill go up if I use less gas? No. Using less means you will be charged less for distribution charge, less for distribution adjustment and less for Gas Supply. Even in months where there is a normal weather adjustment charge, you will still see a reduction in your bill for using less energy.

What is the main purpose of decoupling?

The main purpose of decoupling is to promote energy efficiency. Customers who take advantage of energy efficiency measures will reduce their usage, lower bills and help the environment.

Separating a utility's revenue from overall customer usage means that the utility will have more incentive to promote energy efficiency programs, rather than selling more gas, because the utility will not incur a revenue loss as a result of energy efficiency measures utilized by customers.

Is decoupling a new concept?

Liberty Utilities is the first utility company in New Hampshire to make it part of their rate structure. While decoupling is a new concept in New Hampshire, the concept has been around for many years and is being used in over half the states in the country.

Decoupling Communications Timeline

When	Deadline	Communications Channel	Messaging	Completed Y/N
September		**CSR Talking Points**	**Explanation of Decoupling**	
	3-Sep	Develop Content		
	12-Sep	Approvals from Regulatory		
	14-Sep	Final Layout to Customer Service		
October		**Bill Insert**	**Decoupling is coming, direct to website for more info**	
	13-Jul	Develop Content		
	27-Jul	Approvals from Regulatory		
	17-Aug	Create Layout		
	17-Aug	Send to PUC for input		
	31-Aug	Proof and Approvals		
	3-Sep	Send File to Printer		
	14-Sep	Approve Print Proof		
	21-Sep	In Hand at Fiserv (Bill Print Provider)		
	24-Sep	Email to Employees and Regulators with PDF Copy		
	28-Sep	Approve Bill Print		
	1-Oct	Inserts start going out will bill cycles		
October 1st		**Web Page**	**·Overview of decoupling** **·Benefits to the customer and the company** **· Comparison of traditional and Decoupled Bills** **·Video - Decoupling overview**	
	30-Jul	Develop Content		
	10-Aug	Approvals from Regulatory		
	24-Aug	Create Page Layout in Test Environment		
	7-Sep	Make final changes in Test Environment		
	14-Sep	Make final changes		
	24-Sep	Move page to Production - Page goes live		
	24-Sep	Test in live and final changes		
	24-Sep	Send to PUC for input		
	25-Sep	Email to Employees with link to page		
October 1st		**Animated Video**	**High level explanation of Decoupling**	
	2-Jul	Develop Storyboard - Based on PG&E Video		
	9-Jul	Approvals from Regulatory		
	23-Jul	Develop Draft Video		
	30-Jul	Review with Regulatory		
	6-Aug	Make Final Changes		
	10-Aug	Final Review and Proof		
	17-Aug	Export Final File, Post to YouTube, Test		
	17-Aug	Send to PUC for input		
	20-Aug	Email with link to Employees		
October 1st		**Social Media**	**Decoupling is coming, direct to website for more info**	
	14-Sep	Develop posts for FB and Twitter		
	26-Sep	Schedule publish date		
October 15th		**Social Media**	**Video - Decoupling overview**	
	17-Aug	Develop posts for FB and Twitter		
	24-Aug	Schedule publish date		
November		**Customer Newsletter (bill Insert)**	**Article: Overview of Decoupling, direct to website for more info**	
	17-Aug	Develop Content		
	31-Aug	Approvals from Regulatory		
	14-Sep	Create Layout		
	24-Sep	Proof and Approvals		
	5-Oct	Send File to Printer		
	15-Sep	Approve Print Proof		
	15-Sep	Send to PUC for input		
	25-Oct	Email to Employees with PDF copy		
	25-Oct	In Hand at Fiserv (Bill Print Provider)		
	30-Oct	Approve Bill Print		
	1-Nov	Inserts start going out will bill cycles		