

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

CASE 15-G-0382 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of St. Lawrence Gas Company, Inc. for Gas Service.

CASE 13-G-0076 - Petition of St. Lawrence Gas Company, Inc. for Permission to Defer Certain Expenses Related to In-Line Inspection of a 12" High Pressure Gas Main.

ORDER ESTABLISHING MULTI-YEAR RATE PLAN

Issued and Effective July 15, 2016

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STATE OF NEW YORK  
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At a session of the Public Service  
Commission held in the City of  
New York on July 14, 2016

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair  
Patricia L. Acampora  
Gregg C. Sayre  
Diane X. Burman

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BY THE COMMISSION:

INTRODUCTION

This order adopts the terms of a Joint Proposal (or JP) filed in the above-referenced cases on April 12, 2016, with a minor modification. The order establishes a three-year rate plan for the St. Lawrence Gas Company, Inc. (St. Lawrence or Company), covering the period June 1, 2016 through May 31, 2019. St. Lawrence, the Department of Public Service trial staff (Staff) and Multiple Intervenors (MI) are the signatories on the JP. The Department of State Utility Intervention Unit (UIU) and Agri-Mark Inc. (Agri-Mark), participated as parties, but are not signatories to the JP. However, they do not oppose any of the JP provisions.

BACKGROUND

St. Lawrence provides gas service to approximately 16,000 customers in the counties of St. Lawrence and Lewis. It is also in the process of expanding gas service into Franklin County.<sup>1</sup> The vast majority of the Company's customers (approximately 90%) are residential. Commercial customers comprise almost all of the remaining 10% of customers because there are only 8 industrial customers served.

The Company's last base rate increase became effective on January 1, 2012.<sup>2</sup>

PROCEDURAL HISTORY

On June 29, 2015, St. Lawrence filed tariff revisions designed to increase its annual revenues by \$1.23 million or 2.96%.<sup>3</sup> Under its proposal, the average annual residential customer (SC 1) bill would increase by 11.3% for non-heating customers and 3.3% for heating customers. On July 1, 2015, the Company submitted minor revisions to the pre-filed testimony of three of its witnesses. The changes did not affect its proposed revenue increase. Since the revenue increase constituted a major rate change as defined in PSL § 66 (12) (c), public notice of the proposed changes and a hearing was required to be held

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<sup>1</sup> Cases 10-T-0154 and 10-G-0295, St. Lawrence Gas Company, Inc., Order Granting Certificate of Environmental Compatibility and Public Need and Authorizing Exercise of New Franchises (issued February 18, 2011).

<sup>2</sup> Case 08-G-1392, St. Lawrence Gas Company, Inc., Order Establishing Rate Plan (issued December 18, 2009). The Commission adopted a three-year rate plan for the period January 1, 2010 through December 31, 2012.

<sup>3</sup> The Commission authorized St. Lawrence to use operating results for calendar year 2014 as the historic test year. Case 15-G-0313, St. Lawrence Gas Company, Inc. - Waiver Request, Order Approving Waiver of 150-Day Provision of the Commission's Statement of Policy on Test Periods in Rate Proceedings (issued October 21, 2015).

before the Commission could render its decision.<sup>4</sup> The Company's filing was suspended to permit a thorough investigation of its rate proposal.<sup>5</sup>

A procedural teleconference was held on August 19, 2015, with St. Lawrence, Staff, UIU, MI and Agri-Mark. A ruling was issued following the conference that granted party status to MI and Agri-Mark and adopted a litigated case schedule.<sup>6</sup> MI is an unincorporated association of 60 large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, including St. Lawrence's service territory. Agri-Mark is a large cheese manufacturer in the Company's service territory that has been converting systems to natural gas service.

The schedule afforded the parties an extensive opportunity to conduct discovery of the Company's rate filing. On October 28, 2015, Staff filed testimony and exhibits in response to the Company's rate proposal. Staff recommended that base rates be decreased by \$1.1 million.<sup>7</sup> No other party submitted testimony in response to the Company's filing.

On November 5, 2012, St. Lawrence filed a Notice of Impending Settlement Negotiations to initiate settlement discussions on the rate filing.<sup>8</sup> It submitted a revised notice

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<sup>4</sup> PSL §§ 66(12) (b) and (f). On August 8, 2015, St. Lawrence filed its proof of publication in compliance with the notice requirements.

<sup>5</sup> Case 15-G-0382, Suspension of Major Rate Change (issued July 8, 2015); Further Suspension of Major Rate Change (issued November 9, 2015) and Order Approving Extension of Maximum Suspension Period (issued April 22, 2016).

<sup>6</sup> Case 15-G-0382, Ruling on Party Status and Adopting Schedule (issued August 27, 2015).

<sup>7</sup> Exh. 29, p. 4 and Exh. 30, Schedule 1.

<sup>8</sup> 16 NYCRR § 3.9 (a).

on November 13, 2015 to include the pending deferral petition in Case 13-G-0076 in settlement discussions.<sup>9</sup> Settlement discussions continued over the ensuing months resulting in several changes in the litigated case schedule and an ultimate agreement on the terms of the JP.<sup>10</sup> In light of the parties' continuing negotiations, the Commission determined that St. Lawrence would be made whole for any revenue difference that might result from a delay in the effective date of new rates past June 1, 2016, the date contemplated under the Company's original filing.

A Notice of Proposed Rulemaking for Case 13-G-0076 was published in the State Register on March 13, 2013. The Notice of Proposed Rulemaking for Case 15-G-0382 was published in the State Register on September 30, 2015. Both notices were published in accordance with State Administrative Procedure Act (SAPA) §202(1). In addition, a notice was issued on April 27, 2016 seeking comments in these cases at a public statement hearing scheduled for the evening of May 19, 2016, in Canton, New York. There were no written public comments submitted and no one spoke at the public statement hearing.

Pursuant to the judge's April 27, 2016 ruling, St. Lawrence, Staff and MI filed statements in support of the JP on May 3, 2016. An evidentiary hearing on the JP was held on June 16, 2016 in Albany, New York.<sup>11</sup> The JP and pre-filed testimony and exhibits of the Company and Staff were accepted into the

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<sup>9</sup> The notices complied with notification requirements of 16 NYCRR § 3.9 (a)(2).

<sup>10</sup> Case 15-G-0382, Ruling on Schedule Change (issued November 10, 2015); Second Ruling on Schedule Change (issued December 22, 2015); Ruling Confirming Schedule Change (issued January 29, 2016); and Procedural Ruling (issued March 24, 2016).

<sup>11</sup> Commissioner Burman also presided the hearing.

record. St. Lawrence and Staff sponsored witnesses to address questions regarding specific provisions of the JP.

DISCUSSION

The Public Service Law (PSL) delineates the Commission's broad supervisory jurisdiction over the furnishing of gas service to customers and to those persons and entities operating the systems in New York State.<sup>12</sup> Commission regulation is designed to ensure that the services provided to customers and the public will be safe and adequate and that the charges for those services are just and reasonable.<sup>13</sup> Setting just and reasonable rates involves a balancing of the customers' interests with those of the utility's investors.<sup>14</sup> We may consider such factors and assign the weight to those factors as is deemed appropriate in setting utility rates, and our decision should not be set aside unless it is made without any rational basis or reasonable support in the record.<sup>15</sup>

In evaluating the terms of a joint proposal submitted for our consideration, we must determine if the joint proposal, considered as a whole, produces a result that is in the public interest. Our Settlement Guidelines delineate factors employed in conducting that analysis.<sup>16</sup> They include consideration of whether the terms of the joint proposal are consistent with the environmental, social and economic policies of the Commission and the State; produce results within the range of outcomes that might result if the issues in the case were fully litigated; and

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<sup>12</sup> Public Service Law §§ 2(10)(11), 4(1), 5(1)(b), 65 and 66.

<sup>13</sup> Public Service Law §§ 65 (1).

<sup>14</sup> Abrams v. Public Serv. Commn., 67 N.Y.2d 205, 212 (1986).

<sup>15</sup> Id.

<sup>16</sup> Cases 90-M-0255, et al., Procedures for Settlements and Stipulation Agreements, Opinion 92-2 (issued March 24, 1992) (Settlement Guidelines), p. 30.

appropriately balance the interests of the utility's ratepayers, its investors and the long-term viability of the utility. Consideration is also given to whether the record is complete and provides a rational basis for ultimate decision and the extent to which the settlement is contested.

The rate plan that we establish herein is designed to provide the utility with sufficient funds to cover its operating expenses and capital costs, including debt service and provide the Company with a return on equity (ROE) that is commensurate with the ROEs provided by other business investments with comparable risks.<sup>17</sup> As a result, investor confidence in the Company is maintained and its credit and ability to attract capital is preserved.<sup>18</sup> The JP also mitigates the ratepayer bill impact of the annual rate increases and more closely aligns the rates of the various customer service classes with the cost of serving those customers.

The JP indicates that all contested issues presented in the rate case and deferral petition are settled by the terms of the JP. This order summarizes several key provisions of the JP, including issues and positions of parties in support of or opposition to the JP. The discussion herein is not an exhaustive, or all-inclusive, analysis of the JP terms. Unless expressly modified by this order, the terms of the JP are adopted here, whether or not they are described below.

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<sup>17</sup> Federal Power Commn. v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944).

<sup>18</sup> Id., Bluefield Water Works & Improvement Co. v. Public Serv. Commn., 262 U.S. 679 (1923).



Rate Plan Term and Revenue Increases

The three-year rate plan embodied in the JP runs from June 1, 2016 through May 31, 2019.<sup>19</sup> Even though the first rate year begins before the date of this order, there would be no need to compress rates to collect a full year's worth of the annual revenue requirement, because there is no customer bill increase in Rate Year 1. Instead, St. Lawrence would utilize existing ratepayer credits as bill moderators and make adjustments on its books to offset the recommended new base rate revenues and applicable surcharge and surcredit changes. For example, approximately \$189,000 of System Benefits Charge (SBC) fund over-collections, plus carrying charges, would be credited to ratepayers in each rate year (about \$568,000 total) due to the fact that the Company is no longer required to implement energy efficiency (EEPS) programs.<sup>20</sup> Approximately \$505,000 of other credit amortizations would be applied in Rate Year 1 to mitigate the rate increase bill impacts, and about \$631,000 in credits applied in each of Rate Years 2 and 3.<sup>21</sup> Appendix E of the JP delineates the twelve categories and associated dollar amounts of deferrals subject to the credit amortization. The parties indicate that St. Lawrence will have about \$726,000 remaining in unamortized credits due to ratepayers at the end of the third rate year which would be available to mitigate future

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<sup>19</sup> Rate Year 1 is the period June 1, 2016 through May 31, 2017; Rate Year 2 runs from June 1, 2017 through May 31, 2018; and Rate Year 3 covers the period June 1, 2018 through May 31, 2019.

<sup>20</sup> The Commission ruled that St. Lawrence is not required to implement energy efficiency programs after 2015. Case 07-M-0548, Energy Efficiency Portfolio Proceeding, Order Authorizing Utility-Administered Gas Energy Efficiency Portfolios for Implementation Beginning January 1, 2016 (issued June 19, 2015), p. 16.

<sup>21</sup> Joint Proposal, Appendix A, p. 16.

rate increases, or be returned to customers if the Company refrains from coming in for new rates to take effect after the end of Rate Year 3.<sup>22</sup>

The incremental annual base delivery rate increases that St. Lawrence would receive under the terms of the JP are \$484,987 in Rate Year 1, \$434,847 in Rate Year 2 and \$307,322 in Rate Year 3.<sup>23</sup> The parties also agreed that a five-year Safety and Reliability Surcharge (SRS) should be implemented, increasing St. Lawrence's annual revenues by \$214,600, to recover the forecasted \$1.073 million of total operation and maintenance (O&M) expenses to be incurred for the in-line inspection (ILI) program for gas mains. The annual increases and SRS assessments, however, would be mitigated through the use of various customer credits that have accrued from a variety of over-collections on amortizations which, the parties noted, have continued since the end of the last rate plan.<sup>24</sup> The application of the accrued credits will have the effect of eliminating the bill increase in Rate Year 1. In Rate Years 2 and 3, the application of credits will substantially reduce the effect of the cumulative rate increases, resulting in total increases billed to customers in rates and the SRS of \$307,725 and \$615,046, respectively.<sup>25</sup>

Under the rate plan agreed to by the parties, the total annualized bill impacts of the rate changes and the SRS on

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<sup>22</sup> Exh. 44, ALJ - 18; Joint Proposal, Appendix A, p. 16.

<sup>23</sup> The slight differences in the annual increases shown on page 16 of Appendix A of the Joint Proposal are because Appendix A only shows the base rate increase and does not include the revenue taxes.

<sup>24</sup> Case 08-G-1392, supra.

<sup>25</sup> The amortization of the deferred credits is illustrated on Appendix A and discussed in more detail later in this order.

a typical residential heating customer (using on average 1085 therms per year) would be as follows:

|             | Annual Bill | Bill Increase | Percentage Increase |
|-------------|-------------|---------------|---------------------|
| Current     | \$1464      |               |                     |
| Rate Year 1 | \$1464      | \$0           | 0%                  |
| Rate Year 2 | \$1479      | \$15          | 1.04%               |
| Rate Year 3 | \$1495      | \$16          | 1.03%               |

The Company says that limiting the annual bill impacts to this extent, given the stipulated revenue requirement increases (\$480,137, \$430,409 and \$304,248, respectively) over the three years of the rate plan, is possible though the application of the substantial level of credits due customers which have accrued from over-collections on previously set amortizations.<sup>26</sup> It projects that through the continued application of available credits in the two years following the end of this rate plan (approximately \$511,000 and \$215,000, respectively), bill increases for the typical residential heating customer will only be about 1% each year, thus continuing the process of very gradual base rate increases for the Company.<sup>27</sup>

St. Lawrence, MI and Staff highlight the JP's rate allowances in light of the Company's \$1.23 million rate request. The Company argues that a comparison of its rate request to the \$1.12 million rate reduction that Staff proposed in testimony, the five-year SRS cost recovery, and carrying costs on capital investments, illustrates that the annual revenue increases in the JP are reasonable and within the range of likely outcomes from a fully litigated proceeding.<sup>28</sup> MI observes that, although

<sup>26</sup> Joint Proposal, Appendix B, p. 5.

<sup>27</sup> St. Lawrence Statement in Support, p. 16; Joint Proposal Appendix A, p. 16 and Appendix B, p. 5.

<sup>28</sup> St. Lawrence Statement in Support, p. 10.

the first year's revenue increase is substantial, the recommended increase in the JP is approximately 60 percent less than the \$1.23 million increase St. Lawrence initially proposed. Staff notes that the \$1.23 million increase proposed by the Company also contemplated the use of about \$800,000 in credits, which made its proposed increase closer to \$2 million overall.<sup>29</sup>

St. Lawrence asserts that the three-year rate plan term is in the public interest because it will provide ratepayers with long-term delivery rate certainty and provides St. Lawrence a degree of financial stability that will assist it in fulfilling its statutory obligation to provide safe, adequate and reliable gas service. MI agrees with the Company, further noting that the proposed multi-year rate plan will provide greater planning certainty needed for businesses and institutions to project energy costs and plan capital investment. Moreover, MI explains that one of the primary features of the JP, on which it bases its support, is the considerable effort made by the parties to moderate the rate increases to the maximum extent possible.

#### Sales and Revenue Forecasts

The sales and revenue forecasts are set forth in the JP and its Appendix A. Most significantly, the JP follows the methodology for forecasting firm sales and transportation revenues recommended by Staff in its pre-filed testimony. The JP also updates the Interruptible Sharing Target (from \$1,800,000 to \$2,436,473) effective at the beginning of the first rate year and continues the 85%/15% customer/Company sharing threshold for interruptible sales and transportation revenues from the previous rate plan.<sup>30</sup> The JP also incorporates

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<sup>29</sup> Staff Statement in Support, p. 9.

<sup>30</sup> Case 08-G-1392, supra.

an agreement on the forecast of cogeneration revenues and continues the provisions regarding Merchant Function Charge and Distribution Rate Adjustment revenues from the Company's last rate case.<sup>31</sup>

Labor Expense

The JP reflects the parties' agreement on a total payroll allowance of \$3,405,704, a \$61,998 decrease from the Company's original proposal of \$3,467,702. It provides an allowance to cover the four new employee positions requested by St. Lawrence, three full-time and one part-time. The reduced payroll allowance level is primarily attributable to four labor expense categories (annual management wage increases, management incentive compensation, overtime and payroll reserve).

The signatory parties also agreed that recovery of annual management wage increases under the proposed rate plan would be limited to the rate of inflation, or approximately 2%<sup>32</sup>. Limiting such increases to the rate of inflation is consistent with that position advocated by Staff, who recommended that in light of the current difficult economic climate customers should not be required to pay for management salary increases greater than inflation. (Staff Statement in Support, P. 12; Quackenbush, p. 6)

Under the terms of the JP, St. Lawrence would receive \$157,357, or 70%, of the \$224,798 Management Incentive Compensation (MIC) plan amount that it requested in its rate filing. In addition, prior to the Company's preparation of a

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<sup>31</sup> Id.

<sup>32</sup> Staff reported that the average annual gross domestic product inflation rate from the end of December 2014 through May of 2017 was calculated to be 1.68% and that the projected inflation for Rate Years 2 and 3 are 2.08% and 2.10%, respectively. Exh. 44, ALJ-16.

total compensation study for its next rate case, St. Lawrence will consult with Staff on the methodology that will be utilized.

Commission approval of MIC plans in major rate cases generally requires the utility to fully demonstrate that its overall management compensation levels are reasonable compared to similarly situated companies.<sup>33</sup> Staff initially recommended that St. Lawrence receive no allowance for its MIC plan.<sup>34</sup> Its reasoning was that the Company did not satisfy its obligation to provide a total compensation study containing base pay, variable incentive compensation, and the dollar value of benefits to support its incentive compensation request. According to Staff, the study provided by the Company failed to include the dollar value of benefits, thus making it difficult to ascertain whether the Company's compensation benefits programs are truly market competitive.<sup>35</sup> Although Staff concluded in its prefiled testimony that the Company failed to support its incentive compensation program as required by the Commission, it noted in its statement in support of the JP that it conducted a sensitivity analysis, which revealed it would be unlikely that including the dollar value of benefits in the benchmarking analysis would have changed the conclusion that the Company's

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<sup>33</sup> It is the utility's obligation to show that its "overall management compensation levels, including incentive compensation, are reasonable relative to similarly situated companies which is best demonstrated through a compensation study that compares the elements of total compensation, including base pay, incentive compensation and employee benefits, to the relevant market." Case 10-E-0362, Orange and Rockland Utilities, Inc. - Electric Rates, Order Establishing Rates for Electric Service (issued June 17, 2011), p. 40.

<sup>34</sup> Exh. 19, pp. 13-14.

<sup>35</sup> Exh. 19, p. 7. Staff noted that the benefits portion has comprised approximately 20% of total compensation in other cases.

total compensation was reasonable in line with the median total compensation of peer companies.<sup>36</sup>

In light of Staff's unchallenged sensitivity analysis findings and the Company's commitment to collaborate with Staff on the methodology to be utilized for the total compensation study performed for the next rate case, we agree with the parties that limiting St. Lawrence to recovering 70% of the MIC plan costs is a reasonable compromise.

In-line Inspection Program Costs and SRS Surcharge

The JP incorporates a resolution of the petition, filed February 12, 2013, in which St. Lawrence sought deferral of approximately \$216,000 in incremental In-Line Inspection (ILI) costs incurred in 2012 for cleaning runs, a smart pig run, associated monitoring, environmental services, surveying and testing of its 12-inch pipeline running from the Canadian border into the Village of Massena.<sup>37</sup> The proposed recommendation in the JP is for the Company to recover 80% of these costs, or about \$173,000, which would be recovered by netting the requested sum against other deferral amounts flowing to ratepayers' benefit. The JP signatories further agree that St. Lawrence should not recover approximate \$187,000 of additional ILI costs that the Company claimed it incurred in 2013 and included in its rate filing.

As the sole commenter in briefs regarding the signatory parties' agreement on the 2012 and 2013 ILI costs, Staff states that the 2012 ILI performed by St. Lawrence was beneficial to ensuring the safety of its gas system and the

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<sup>36</sup> Staff Statement in Support, p. 12.

<sup>37</sup> Case 13-G-0076, Petition of St. Lawrence Gas Company, Inc. for Permission to Defer Certain Expenses Related to In-Line Inspection of 12" High Pressure Gas Main (filed February 12, 2013).

Company managed to share some of the costs with its corporate parent, Enbridge, Inc., which was conducting an inspection of a contiguous pipeline in Canada. However, Staff asserted that recovery of the costs via deferral was not appropriate because the ILI costs were foreseeable given that St. Lawrence engaged in extensive planning before performing the ILI.<sup>38</sup> According to Staff, the parties' agreement for the Company to allow St. Lawrence recovery of 80% of the costs incurred provides a reasonable resolution of the issue because it recognizes the work performed and the benefits that customers and the general public will receive by ensuring the safety of St. Lawrence's system, notwithstanding that Staff and the Company differed on the issue of cost foreseeability.

With respect to the disallowance of recovery of the 2013 ILI costs, Staff and the Company state that in addition to St. Lawrence failing to petition for deferral of those expenses, the 2013 costs did not satisfy the three-prong test for deferral, in part, because the costs incurred were not extraordinary.<sup>39</sup>

During the term of this rate plan, St. Lawrence plans to perform ILI on two high risk gas transmission lines (8-inch and 10-inch) by 2019, as well as a re-inspection of the 12-inch transmission line that was the subject of the deferral petition in Case 13-G-0076.<sup>40</sup> The parties agree that the Company should

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<sup>38</sup> In determining whether to authorize deferral treatment, the Commission traditionally applies a three-prong test, specifically: (1) that the cost is material and extraordinary in nature; (2) that the cost was incremental to what was allowed in rates; (3) and that the company is not overearning. Case 12-M-0204 - Central Hudson Gas & Electric Corporation - Deferral Petition, Untitled Order(issued April 22, 2013).

<sup>39</sup> Exh. 44, ALJ-12.

<sup>40</sup> Exh. 11, pp. 16-17.



be allowed to recover up to \$214,600 annually (total \$1,073,000) over the three years of this rate plan and the two succeeding years to cover its forecasted operation and maintenance expenses related to these three ILI projects. In addition, the Company can collect carrying costs consisting of a return on the amounts placed into plant in service in rate base and the related depreciation for the specified ILI capital projects in each of the three rate years. Recovery of both O&M and specified project carrying costs would be accomplished through implementation of a new safety and reliability surcharge (SRS). However, before commencing recovery through the SRS for the carrying costs for each of the specified projects, the Company must make a compliance filing after the project is complete and has been properly inspected. Further, the SRS is subject to initial and annual compliance filings made by the Company for review and approval by Staff.

We find that the proposed SRS mechanism is reasonable as it allows the Company to recover the capital related carrying costs of its ILI program until the Company's next rate case where it is anticipated that the costs collected through the SRS will instead be accounted for and included in base rates. Implementing the SRS now will avoid a build-up of the charges and upward pressure on future ratepayers' bills.

#### Other Program Recommendations

##### Marketing and Incentives for Conversions

The JP adopts a Staff recommendation for St. Lawrence to implement a program that would provide St. Lawrence with incentives of up to 10 basis points revenue requirement as a result of customers converting to natural gas.<sup>41</sup> The program would apply to all residential and commercial (SC1 and SC2)

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<sup>41</sup> Exh. 23, p. 26.

customers including in expansion area (Case 10-G-0295). The incentives would be required once the combined (SC1 and SC2) average growth reaches 1%.<sup>42</sup> Staff observes that this program will also benefit existing customers because the added customers will provide a larger customer base over which St. Lawrence can recover its cost of service.

The JP's incentive mechanism advances our goal of expanding utility natural gas service in New York. Expanded natural gas service offers potential economic benefits to the Company and its customers and increased system reliability. Natural gas is also cleaner than other fossil fuels. We, therefore, find the proposed incentive mechanism to be reasonable and adopt it.

#### Outside Services - Intercompany Charges

The parties stipulated to a first rate year allowance of \$309,445 for intercompany charges from Enbridge, Inc. (Enbridge), the corporate parent of St. Lawrence, and increases by the rate of inflation in the second and third years of the rate plan. Enbridge provides various centralized administrative management services, such as information technology and human resources, and allocates the costs for the services performed for its various affiliates and subsidiaries, including St. Lawrence.<sup>43</sup>

Staff notes that the Company initially forecasted \$761,800 in corporate allocation fees based on a 2016 budget invoice from Enbridge.<sup>44</sup> Staff noted in pre-filed testimony that the intercompany charges to St. Lawrence in 2015 were \$398,253 and took exception to the Company's forecast because the Company

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<sup>42</sup> Joint Proposal Section VIII, D. 6 and Appendix H.

<sup>43</sup> Exh. 21, p. 3.

<sup>44</sup> Staff Statement in Support, p. 17; Exh. 22 (AAE-1), p. 90.

failed to explain why there was more than a 150% increase in the fees from 2009 through 2015.<sup>45</sup> Staff proposed that the Rate Year 1 allowance be set at \$259,445 based on the 2012 corporate allocation fees increased by inflation though the first rate year.<sup>46</sup>

In its statement in support of the JP, Staff explains that during negotiations St. Lawrence provided justification for an increase in intercompany charges above what Staff proposed. The increases were primarily driven by additional information technology functions, since 2009.<sup>47</sup>

The JP also includes conditions designed to ensure that the corporate allocations to St. Lawrence are appropriate and cost justified. Significant conditions include requiring the Company to have Service Level Agreements for any major function performed by Enbridge; to provide detailed documentation to support the Company's allowance request in the next rate case; and to perform a benchmarking study comparing large cost components to similarly sized companies. The benchmarking study will be performed internally at no cost to ratepayers.

We believe that the record supports the parties' proposed resolution of the intercompany charges issue. By requiring the Company to obtain and provide a significantly greater level of information in the future, these terms ensure that future allocated fees are cost justified.

#### Pension Fund Investments

There are two separate elements to pension fund investments managed by Mass Mutual for St. Lawrence: pension

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<sup>45</sup> Exh.21, p. 5.

<sup>46</sup> Exh. 21, p. 13.

<sup>47</sup> Staff Statement in Support, p. 17.

fund investments funding future retiree benefits and a trust fund for retired employees. Staff raised concerns that the 3.25% fixed return provided for future retiree benefits is too conservative, noting that utilities typically invest in pension funds that have a mix of fixed income and equities that pay higher overall returns. Staff questioned whether there is flexibility to move investments into a mixture of income and equities.<sup>48</sup>

The JP addresses those concerns by requiring the Company to provide a report, within 90 days of the issuance of this order, demonstrating either that its existing program for funding current and future retiree benefits is the most cost effective method or, if not, providing an analysis of alternative funding methods and identifying one that is most cost effective. If applicable, the report will also include a legal opinion indicating why its contracts with Mass Mutual would not permit moving pension funds to an alternative provider and what alternative investment strategies are available through Mass Mutual.<sup>49</sup>

This provision of the JP effectively requires the Company to monitor its pension fund costs, ensure proper pension fund management and look for opportunities to minimize costs. If successful, St. Lawrence and, in turn, ratepayers will benefit from the reduced costs. It is, accordingly, adopted.

Low Income Assistance Program

The JP proposes several noteworthy changes to the Company's existing low income program. First, it would more than double the annual program funding level, to \$283,920, and

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<sup>48</sup> Exh. 27, p. 13 and Exh. 33, p. 39. Policy holders may also receive dividends that increase the overall annual return.

<sup>49</sup> Joint Proposal, Section III. A(3)(i)(2).

it would provide transparency by accounting for funding of the program as an O&M expense rather than through the current rate design decrease to a qualifying customer's monthly minimum charge. Moreover, the new program is based on 2,600 customers, an increase of 400 customers, and allows for the participation by customers in the Company's gas franchise expansion areas in St. Lawrence and Franklin Counties.<sup>50</sup> Lastly, the program continues to provide a \$5 monthly discount for recipients of a regular Home Energy Assistance Program (HEAP) grant and provides a \$10 monthly discount to HEAP recipients with either an elderly or disabled individual or child under six years old in the household, or have an income level less than 130% of the federal poverty level.

The JP states that the low income program will continue beyond Rate Year 3, until modified or discontinued by the Commission, and recognizes that if the Commission establishes statewide guidelines that are inconsistent with the provisions of the JP, St. Lawrence will implement program changes to be consistent with the Commission's directives.<sup>51</sup> The low income program enhancements recommended in the JP will provide significant benefits to those customers that need it the most. The low income program changes are reasonable and adopted.

#### Property Taxes

Under the terms of the JP, property taxes would be reconciled to specific target levels for each year of the rate plan. The parties stipulated to continue the 90%/10% ratepayer/company sharing mechanism that was adopted in the last

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<sup>50</sup> Cases 10-T-0154 and 10-G-0295, supra, Order Granting Certificate of Environmental Compatibility and Public Need and Authorizing Exercise of New Franchises.

<sup>51</sup> Joint Proposal, Section III. A(3)(h).

rate plan. It requires ratepayers to shoulder 90% of the property tax expense in excess of the annual target levels and receive 90% of any property tax decreases below the target levels.<sup>52</sup>

The JP sets the Rate Year 1 property tax expense level at \$1,625,561. Factored into this amount is a prorated estimated benefit for economic obsolescence (EO). The second and third rate year property tax targets were limited to an increase of the first year property tax level by inflation and, thereby, recognize the same EO award estimate in each year.

Economic obsolescence is a property tax provision administered by the New York State Office of Real Property Tax Services (ORPTS) that allows regulated utilities to achieve lower special franchise assessments, and thus lower special franchise taxes, due to impairment in the desirability or useful life of property as a result of factors external to the property. Despite its eligibility to file for an EO award in recent years, St. Lawrence failed to file with ORPTS for EO adjustments for the years 2010 through 2014.<sup>53</sup> Currently St. Lawrence is carrying a property tax deferred balance in favor of customer because its tax obligation in past years has been less than the amount included in rates. The parties agreed to capture the benefit of the potential EO award benefits by increasing the existing property tax deferral by \$311,834 to \$694,835 and amortizing the amount over five years beginning with the first rate year.

We find the JP's property tax expense provisions, including the parties' solution to the Company's failure to file for EO awards in the past years, to be reasonable. The JP

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<sup>52</sup> Case 08-G-1392, supra.

<sup>53</sup> Staff Statement in Support, p. 24.

adopts Staff's recommended EO adjustments and five-year amortization of the property tax deferral balance. Ratepayers will receive the benefit of the EO awards through the property tax expense reductions. In addition, the JP's 90%/10% sharing of the variance in the property tax expense from the annual targets provides an incentive for St. Lawrence to monitor and take steps to reduce its property taxes while largely protecting the company from increases outside its control. Therefore, we will adopt the JP's property tax provisions.

Rate Base

Capital Expenditures

Section III. B. of the JP memorializes the parties' agreement on projected capital expenditure levels of \$2.991 million in Rate Year 1, \$3.318 million in Rate Year 2 and \$1.943 million in Rate Year 3.<sup>54</sup> St. Lawrence initially proposed capital expenditure budgets of \$3.63 million for calendar 2016, and \$3.70 million for 2017. Staff recommended that the capital expenditures budget for 2016 be reduced by \$.73 million, with the 2017 budget reduced by \$1.57 million.<sup>55</sup> The JP further provides for the continuation of the down-ward only net plant reconciliation for all capital expenditures that was adopted as part of the Company's last rate plan. The process involves deferring for ratepayer benefit the revenue requirement associated with any actual annual expenditures below the rate year forecasts, multiplied by the authorized pre-tax rate of return, along with the related depreciation expense allowance.<sup>56</sup> The parties' recommended rate year levels are a significant

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<sup>54</sup> St. Lawrence will also develop a capital budget variance reporting system to track variances in capital budget items by month.

<sup>55</sup> Exh. 35, p. 28.

<sup>56</sup> Case 08-G-1392, supra, Attachment 1, p. 14.

departure from the 5-year (2011-2015) average of approximately \$1.7 million.<sup>57</sup>

St. Lawrence and MI did not discuss this provision of the JP in their briefs. Staff initially indicated that the increase in gas capital expenditures is attributable primarily to gas main reinforcement, main in-line inspection and corrosion prevention, which the Company's witness confirmed at the hearing.<sup>58</sup> St. Lawrence and Staff thereafter stated that the largest increases in the three rate years are also due to gate station improvements, sales mains, heavy equipment work, transportation equipment and lab work.<sup>59</sup> The JP also provides for the Company, Staff and other interested parties to collaborate to develop a capital performance mechanism that will provide an incentive for capital cost savings and sharing of those savings between customers and shareholders. The collaborative is expected to develop a report that will include the details of the mechanism and the portions of the Company's capital program to which the mechanism will apply. The Company will file the reports with the Secretary within 180 days of this Order, and will require Commission approval of the mechanism.

We find that the rate year capital expenditure levels recommended in the JP are reasonable considering the additional main reinforcement, in-line inspection and corrosion prevention being performed. We also find that continuation of the one-way downward net plant true-up is reasonable because it protects ratepayers by ensuring they will not pay for plant that is not completed and will not bear the full burden of capital project

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<sup>57</sup> Exh. 44, ALJ - 25 Revised.

<sup>58</sup> Staff Statement in Support, pp. 24-25.

<sup>59</sup> Id.



cost increases above the target levels. Therefore, this provision of the JP is adopted.

Capital Structure and Rate of Return

The revenue requirement generating the proposed rates assumes a capital structure with 48% common equity and a return on equity (ROE) of 9.0% for each of the three rate years. This would provide St. Lawrence with overall rates of return of 5.48%, 5.44% and 5.43% in the respective Rate Years 1 through 3.<sup>60</sup>

Staff points out that, in contrast to the Company's pre-filed testimony recommending a 50% equity ratio based on a stand-alone capital structure, it advocated a 48% equity ratio based on a consolidated capital structure because of a lack of ring fencing between St. Lawrence and its affiliates.<sup>61</sup> Staff further notes that the JP's 48% equity ratio is consistent with the ratio approved by the Commission in recent major rate cases<sup>62</sup> and is representative of the equity ratio of a proxy group of companies with similar risk characteristics as St. Lawrence.

According to Staff, the 9% ROE in the JP is based on the methodology that it utilized in conducting an analysis that

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<sup>60</sup> Joint Proposal, Appendix A, p. 3.

<sup>61</sup> Staff Statement in Support, p. 26; Exh. 33, p. 5. Ring fencing is a mechanism that legally separates assets and/or liabilities in a subsidiary to protect them from holding company and/or affiliate creditors.

<sup>62</sup> Cases 14-E-0493 and 14-G-0494, Orange and Rockland Utilities, Inc. - Electric and Gas Rates, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans (issued October 16, 2015); Cases 14-E-0318 and 14-G-0319, Central Hudson Gas & Electric Corporation - Electric and Gas Rates, Order Approving Rate Plan (issued June 17, 2015); and Case 15-E-0050, Consolidated Edison Company of New York, Inc. - Electric Rates, Order Adopting Terms of Joint Proposal to Extend Electric Rate Plan (issued June 19, 2015).

resulted in its pre-filed 8.6% ROE recommendation. That analysis was then updated for current market conditions and to provide a stay-out premium to cover the added risks that are inherent in fixing the Company's rates for the three rate years. By comparison, St. Lawrence initially proposed that the ROE level be set at 10.5% for the one-year rate plan.<sup>63</sup>

We note that the 48% equity ratio and consolidated capital structure proposed in the JP are significant departures from the 50% common equity ratio and stand-alone capital structure established in the Company's last rate plan.<sup>64</sup> However, as Staff notes the 48% equity ratio is consistent with the equity ratio of the proxy group of companies with similar risk characteristics as St. Lawrence and the level that we have adopted for other New York utilities.<sup>65</sup> Furthermore, the shift to a consolidated capital structure is reasonable given the Company's absence of protective ring-fencing measures. We, therefore, adopt the JP's proposed capital structure and 48% equity ratio for St. Lawrence.

We believe that the ROE agreed to in the JP reflects current economic conditions and the degree of risk that St. Lawrence will face over the three years of the rate plan. The ROE level is also consistent within the range of returns that we have approved in recent rate cases. It follows the methodology of Staff in pre-filed testimony, a methodology which we

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<sup>63</sup> Exh. 13, p. 4.

<sup>64</sup> Case 08-G-1392, supra, Attachment 1, pp. 15-16.

<sup>65</sup> See Case 10-E-0050, Niagara Mohawk Power Corporation - Electric Rates, Order Establishing Rates for Electric Service (issued January 24, 2011) and Case 11-E-0408, Orange and Rockland Utilities, Inc. - Rates, Order Adopting Terms of Joint Proposal, With Modification, and Establishing Rate Plan (issued June 15, 2012).

consistently followed in prior cases. We find the ROE to be reasonable and adopt it.

#### Earnings Sharing

The JP has a three-tiered earnings sharing mechanism (ESM), under which St. Lawrence will share with ratepayers the rate year ROE earnings in excess of specific targets.<sup>66</sup> Earnings sharing does not begin until earnings exceed 9.5%, thereby providing a 50 basis point dead-band before sharing. Ratepayers will split evenly with St. Lawrence (50% Ratepayers / 50% Company) earnings above 9.5% to 10.0%. The second sharing tier will be triggered if the Company's ROE falls in the range of above 10.0% to 10.5%. Ratepayers will receive 80% of those earnings, with St. Lawrence receiving the remaining 20%. The last ESM tier covers any earnings above 10.5%. Should that event occur, 90% of the excess earnings would be credited to ratepayers and St. Lawrence would receive the other 10%. Earnings attributable to the St. Lawrence and Franklin County Expansions will not be part of the ROE calculation for ESM purposes.

The ratepayers' portion of earnings above the annual targets will be deferred (with interest at the Other Customer Provided Capital Rate) pending future disposition by the Commission. In the event that St. Lawrence does not file for new rates to take effect immediately following the expiration of the rate plan, the ESM will continue until changed by the Commission. Annual ROE calculations will be based on twelve-month periods beginning June 1, 2016. Staff says that the ESM is consistent with prior mechanisms adopted in prior cases. It notes that the 9.0% ROE, 48% equity ratio, and earnings sharing

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<sup>66</sup> The ESM will not sunset with the end of this rate plan; it will continue until such time as it is modified by the Commission.

thresholds are the same as those adopted by the Commission for Central Hudson, and similar to those adopted for other utilities.<sup>67</sup> It further states that not only will the ESM provide St. Lawrence with an incentive to control its costs, but it will ensure that ratepayers will share in efficiency gains.<sup>68</sup> The Company's witness stated that including the expansion projects earnings in the calculator would have the effect of deflating earnings for ESM purposes in the early years of the project.

We find that the terms of the ESM are reasonable. Coupled with the 50 basis point dead-band before sharing is triggered, the ESM provides St. Lawrence with a significant incentive to control costs and improve the Company's financial performance. If it is successful, ratepayers stand to benefit from a sharing of those earnings that exceed the sharing thresholds. We note that the JP excludes the St. Lawrence and Franklin County expansion project from the annual ROE calculations. That exclusion will ensure that the Company's earnings are not reduced due to the "higher" escalating costs of that project. We, therefore, adopt the ESM as proposed by in the JP.

Deferrals, Reconciliations and Area Revitalization Program

Section VI of the JP details the current deferral mechanisms and amortizations that would be continued, the mechanisms for which modification are recommended and those expenses that would be reconciled under the Distribution Rate Adjustment (DRA). For example, continued deferral accounting is recommended for the: pension expense; post-employment benefits

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<sup>67</sup> Cases 14-E-0318 and 14-G-0319, supra, Order Adopting Rate Plan; Cases 14-E-0493 and 14-G-0494, supra, Order Adopting Terms of Joint Proposal and Establishing Electric Rate Plan.

<sup>68</sup> Staff Statement in Support, p. 26.

other than pensions (OPEBs); Area Revitalization Program; gas adjustment clause (GAC); off-system sales, Optimization Program; S&S Billing System; and Excess Depreciation Reserve. The JP recommends that the amortization of the over-collections of deferrals from Case 06-G-1471 continue past RY3. Specifically there will be unamortized credit amounts available for use following the end of RY3 for over-collected amounts for previously authorized deferrals of uncollectible expense, regulatory commission expenses, carrying costs on gas in storage, and property taxes.<sup>69</sup> Some adjustments are proposed for such expenses as the S.C. 4 revenue sharing of deviations from the target, GAC, merchant function charge, sales and carrying costs. Finally, Section VI (B) (4) of the JP provides a detailed explanation of those expenses for reconciliation under the DRA going forward and the criteria applicable to each item.<sup>70</sup>

Any amounts to be credited to or recovered from customers as a result of the reconciliations performed after the end of each rate year will be deferred and disposed of in a manner to be determined by the Commission, except for over or under-collections for the MFC, DRA, regulatory commission expense and the revenue decoupling mechanism. Variances in these latter reconciliations would be surcharged or refunded to customers in the following year.

Staff and the Company are in general agreement that the reconciliation provisions are for expenses incurred that are difficult to forecast and over which St. Lawrence has little or

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<sup>69</sup> Case 06-G-1471, St. Lawrence Gas Company, Inc. - Deferral Petition, Untitled Order (issued November 7, 2007).

<sup>70</sup> The JP does not preclude the Company from petitioning the Commission for other deferrals.

no control.<sup>71</sup> Customers are benefitted if the actual annual expense level is less than the JP target and the Company is protected when costs rise above the expected levels.

We agree with the JP's deferral and amortization provisions, except for the parties' recommendation to continue the Area Revitalization Program in its current form. This program was established to provide matching grants of up to \$10,000 each, with a total annual funding level of \$50,000, to fund economic development projects in the under-utilized business districts and commercial corridors in the service territory.<sup>72</sup> The Company indicated, in response to written questions asked by the judge, that the grants are funded by the Excess Depreciation Reserve.<sup>73</sup> More importantly, however, it noted that only two awards have been made since the program began, one in 2007 amounting to \$2,895 and one in 2008 amounting to about \$3,540.<sup>74</sup> The Company witness stated, at the June 16, 2016 evidentiary hearing, that St. Lawrence has performed no cost / benefit analysis regarding this program. Given that there have been only two grants awarded since the program was adopted and both of the grants were less than \$5,000, we find that reducing the maximum annual program level from \$50,000 to \$5,000 would be appropriate and that the Company should perform an analysis to determine whether this program should continue beyond the term of this rate plan. We, therefore, adopt the

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<sup>71</sup> Staff Statement in Support, p. 4; St. Lawrence Statement in Support, pp. 11-12.

<sup>72</sup> Cases 05-G-1635 et al. St. Lawrence Gas Company, Inc., Order Adopting the Terms of a Joint Proposal (issued November 9, 2006), p. 4.

<sup>73</sup> Exh. 44, ALJ-34(3).

<sup>74</sup> Exh. 44, ALJ-34(1).

amortization and deferral provisions of the JP as modified herein.

Revenue Allocation and Rate Plan

Section VII and Appendix B of the JP provide a detailed explanation of how the annual revenue increases were allocated among the Company's service classes. The JP notes, specifically, that the revenue allocation is the product of the signatory parties' compromise and consideration of the rate impacts on customers, consideration of minimum charges to SC-2 and SC-3 customers and guidance provided by the St. Lawrence cost of service studies.

In its pre-filed testimony, St. Lawrence proposed to increase the minimum charge for SC-1 (residential), SC-2 (commercial) and SC-3 customers. Staff objected to that proposal on the ground that the large increases to these classes would create inequitable hardships for some customers.<sup>75</sup> The JP adopts Staff's recommendation and proposes no increases in the minimum charges.

Staff points out that the embedded cost of service study (ECOS) that the Company submitted in this case indicates that its SC-3 customers are contributing a greater share than the other system customers. According to Staff, the revenue allocation agreed to by the parties reflects a fairly equitable division of responsibility for the revenue increases among the customer classes. Staff and St. Lawrence agree that the largest annual customer bill increase over the term of the rate plan would be no greater than 2.65%.<sup>76</sup> MI highlights the equitable allocation of revenue and rate design, along with the use of

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<sup>75</sup> Exh. 37, p. 19.

<sup>76</sup> Exh. 44, ALJ-29.

surcredits to moderate the rate increases, as primary reasons why it supports the JP.<sup>77</sup>

We find revenue allocation and rate design in the JP to be reasonable. The parties have achieved a result that extensively mitigates the customer bill impact of the annual rate increases while more closely aligning the revenues allocated to each service class with the actual cost of serving those classes.<sup>78</sup> The revenue allocation and rate design incorporated into the JP are, accordingly, adopted.

#### Customer Service Issues

##### Customer Service Quality Performance Mechanism

The parties recommend continuation of the two performance metrics in the Company's current customer service quality performance mechanism (CSQPM), the number of customer complaints to the Commission (PSC Complaint Rate) and the results of a customer satisfaction survey (Overall Customer Satisfaction Index). They also recommend continuation of the amount of negative revenue adjustment that would be assessed in the event that St. Lawrence did not meet certain threshold levels of performance measured by those metrics. Each metric has three tiers in which the Company would incur a negative revenue adjustment. The JP would, however, tighten the performance targets in each metric from the levels adopted as part of the 2009 Rate Order. Combined, the two metrics would expose St. Lawrence to a maximum negative revenue adjustment of \$36,000, which equates to about 18 basis points given the return on equity allowance adopted in this order.

According to the JP, the parties recommend that St. Lawrence implement a new customer service measure to reduce

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<sup>77</sup> MI Statement in Support, p. 2.

<sup>78</sup> Joint Proposal, Appendix B, p. 7.



customer terminations and the uncollectible expense.<sup>79</sup> As explained in more detail below, this mechanism would be positive only. Pursuant to the terms of the JP, performance for each of these three measures would be assessed on a calendar year basis and continue until changed by the Commission.

As noted in the JP, the PSC Complaint Rate refers to escalated complaints reported in the Office of Consumer Services Monthly Report of Consumer Complaint Activity.<sup>80</sup> It provides for negative revenue adjustments in increasing increments of \$6,000 (\$18,000 maximum) to be assessed if the complaint rate in any given year is equal to or greater than 2.2, 2.8 or 3.4, respectively. These differ significantly from the negative revenue adjustment thresholds of 5, 6 and 7 or more PSC Complaints in the last St. Lawrence rate plan.<sup>81</sup>

The Overall Customer Satisfaction Index calculates the percentage of customers satisfied with the service they receive. It is based on the results of an independent vendor's random telephone survey of two customer groups, one representative of residential customers and the other representative of the commercial and industrial customers. A negative revenue adjustment of \$6,000 would be assessed if customer satisfaction is at or below 84% and a \$12,000 assessment would follow if the customer satisfaction results are at or below 83%. The maximum negative revenue adjustment,

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<sup>79</sup> Joint Proposal, Section VIII.B.

<sup>80</sup> A customer contact with the Commission would be counted as a PSC Complaint if St. Lawrence had been given an opportunity to resolve the issue with the customer after a customer's initial call to the Commission and the Company failed to resolve the issue in a manner consistent with current Commission orders, rules, regulations and accepted industry practice as determined by the Commission or its designee.

<sup>81</sup> Case 08-G-1392, supra, Attachment 1, p. 32.

\$18,000, would apply if the annual Overall Customer Satisfaction Index is less than or equal to 82%. In the Company's last rate plan the \$6,000, \$12,000 and \$18,000 negative revenue adjustments levels applied to customer satisfaction levels at or below: 69%, 66% and 63%, respectively.<sup>82</sup>

The stated goal of the JP's new non-symmetrical (positive only) performance incentive mechanism is to foster a decrease in customer terminations and the uncollectible expense. It offers St. Lawrence the opportunity to earn a positive revenue adjustment if it achieves reductions in customer terminations or bad debt, or both.<sup>83</sup> The Company could receive a total yearly incentive amount of \$12,000 if the number of its annual customer terminations is no higher than 451 and the amount of bad debt is less than or equal to \$173,000. St. Lawrence could receive a \$6,000 incentive if either the customer terminations number or the bad debt level is at or below the target level and the other measure is at or below its three-year average level of 466 or \$204,000. No incentive would be allowed if the customer terminations number or bad debt increases above its three-year average level.

Staff acknowledged in pre-filed testimony that the Company's performance regarding the PSC Complaint Rate and Overall Customer Satisfaction Index has been satisfactory and, in fact, greatly exceeds the existing targets.<sup>84</sup> Noting that service quality could deteriorate significantly before a negative revenue adjustment would be incurred, Staff proposed modifications to the existing metrics in an effort to provide an effective deterrent to any backsliding or diminishing

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<sup>82</sup> Id. at 34.

<sup>83</sup> Joint Proposal, Section VIII. B.

<sup>84</sup> Exh. 17, pp. 16-17.

performance.<sup>85</sup> According to Staff, the CSQPM in the JP reflects Staff's pre-filed testimony recommendations, with some minor exceptions to metric targets.<sup>86</sup> It was crafted, Staff says, to align the interests of shareholders and ratepayers, by providing earnings consequences to shareholders based on the quality of service that St. Lawrence provides to its customers as indicated in the specific performance measures. Staff notes that the new incentive mechanism geared toward reducing terminations and bad debt of residential customers is similar to one recently adopted by the Commission for Orange and Rockland Utilities (O&R).<sup>87</sup>

We find the parties' recommendation in the JP to continue the existing customer service quality performance mechanisms with updated targets to be reasonable. The Company has demonstrated the ability to meet and exceed the performance targets set in its last rate plan, and there is no indication that it would be unable to meet the performance targets outlined in the JP. If, however, St. Lawrence does fail to meet any of the service quality thresholds in a given rate year and incurs a negative revenue adjustment, the pre-tax dollar amount of the negative revenue adjustment will be deferred for future ratepayer use. We also find that the new mechanism for reducing residential customer terminations and bad debt will benefit both customers and the Company. It offers St. Lawrence the financial incentive to work with residential customers to avoid terminations for non-payment and reduce residential bad debt.

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<sup>85</sup> Id.

<sup>86</sup> Staff Statement in Support, p. 31. The JP adopts the PSC Complain Rate targets proposed by Staff. As noted on Exh.18, (CSP-3), Staff proposed that the initial target for negative revenue adjustment in the Overall Customer Satisfaction Index should be set at 86.8%.

<sup>87</sup> Cases 14-E-0493 and 14-G-0494, supra, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans).

Therefore, the performance metrics and incentive mechanisms recommended by the parties are adopted.

Gas Safety and Service Reliability

Gas Network Enhancement Program

The JP includes a proposed gas network enhancement program which has four principal aspects: 1) the hiring of an additional employee to assist in establishing the program, primarily through engaging in marketing for conversions and increasing the Company's focus on potential conversion customers both within and beyond its current service territory; 2) a pilot program to use a 15-year development period to measure the economic benefit of gas main line extensions and service expansion and to permit a corresponding 15-year period for assessment of surcharges for contribution in aid of construction (CIAC); 3) a network implementation plan, developed collaboratively with Staff, based on a three-year forecast of line extensions and franchise enhancement projects; and 4) tariff revisions that will allow aggregation of residential and commercial customer entitlements to receive a minimum number of feet of line extensions without charge.<sup>88</sup>

In its brief supporting the JP, Staff states that these provisions generally adopt Staff's position from its pre-filed testimony. According to Staff, the program will allow the Company the ability to provide natural gas service to new customers in a more streamlined planning process. Staff describes the anticipated benefits to customers as follows:

New customers will benefit through the increased availability of natural gas, reduced conversion costs to new heating customers, and reduced [CIAC surcharges] for customers along existing gas mains, new line extensions and franchise

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<sup>88</sup> Joint Proposal, Section VIII, D (6).

expansion projects. Existing customers will benefit because of economic and environmental benefits brought by the increased availability of natural gas throughout the local communities and through an increased customer base to share future gas system costs.<sup>89</sup>

Moreover, Staff asserts that benefits to the local economy generally can be anticipated. These include job increases and the availability of local spending and investment by new customers who will be enjoying savings in fuel costs.

We find the parties' proposals regarding the gas network enhancement program to be reasonable. We recognize, as Staff noted, that expansion of gas service provides economic and environmental benefits in many situations. These benefits include reduced emissions of carbon dioxide associated with customers who convert their heating equipment from the use of ultra-low-sulfur home heating oil to propane. Reduced carbon emissions are one of the central features of the State's environmental goals, and included in many proceedings before the Commission, including Reforming the Energy Vision.<sup>90</sup> Therefore, we adopt the gas network enhancement program provisions as proposed in the JP.

With respect to the 15-year pilot program, we note that the Commission has recently adopted development periods greater than the five-year period discussed in the 1989 Gas

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<sup>89</sup> Staff Statement in Support, p. 33.

<sup>90</sup> Case 14-M-0101

Expansion Policy Statement,<sup>91</sup> such as the 15-year development period in the gas expansion pilot program for (O&R)<sup>92</sup> and the 10-year development period allowed for New York State Electric & Gas Corporation (NYSEG).<sup>93</sup> Indeed, the 1989 Gas Expansion Policy Statement ends with the statement, "Alternative standards or measurement of the economic feasibility of new franchise expansions may be considered by the Commission upon adequate showing by utilities." Therefore, we agree that it will be helpful for St. Lawrence to consider expansion projects that can be justified under a cost-benefit analysis based upon a 15-year development period and otherwise for St. Lawrence to include such a 15-year-base cost-benefit analysis in its expansion proposal filings.

We note, however, that while we have approved longer development periods in other cases, there isn't a record in this case analyzing the costs and benefits of adopting the 15-year development period. That analysis would have to take place once the specific attributes of an expansion proposal are known. We understand that any proposal under the pilot program will come before the Commission for approval before any expansion is

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<sup>91</sup> Case 89-G-078, Policy for Rate Treatment of Gas Service Expansion into New Franchise Areas, Statement of Policy Regarding Rate Treatment to be Afforded to the Expansion of Gas Service Into New Franchise Areas (issued December 11, 1989) (Gas Expansion Policy Statement). This policy statement notes, *inter alia*, that if a franchise proposal is projected to earn the allowed rate of return by the end of a five-year development period, all investments and revenues related to the expansion will be afforded normal rate treatment.

<sup>92</sup> Cases 14-E-0493 and 14-G-0494, supra, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans.

<sup>93</sup> Case 13-G-0092, New York State Electric & Gas Corporation - CPCN Amendment, Order Amending Certificates of Public Convenience and Necessity and Requiring System Improvements (issued June 22, 2015).

undertaken. At that time, we will carefully consider the costs and benefits as presented by the Company's filings and the analysis of that filing undertaken by Department of Public Service Staff, as well as the comments of interested persons and parties. Such considerations will include the potential impact on the financial risk and economic viability of the Company, as well as potential customer bill impacts that might result from use of a 15-year development period. Therefore any proposal submitted by St. Lawrence should include a projection of the total customer demand and show commitments from customers in the new franchise for a majority of that projected demand or for a majority of the responsibility to contribute in aid of construction.<sup>94</sup>

We note that St. Lawrence is differently situated than were O&R or NYSEG whose rate plans include similar pilots requiring cost-benefit analyses using extended development periods. St. Lawrence is a much smaller company with far fewer customers. Also, St. Lawrence has been facing substantial project cost overruns since 2011 on its gas franchise expansion project in the counties of St. Lawrence and Franklin, which have precipitated multiple requests to increase the existing

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<sup>94</sup> Alternatively, if St. Lawrence can demonstrate that it has secured project funding from alternative sources such as local governments or industrial development agencies, that information can demonstrate reduced risk to existing customers.

temporary revenue surcharge and CIAC.<sup>95</sup> However, St. Lawrence's rates are currently lower than those of most of the State's local distribution companies. All of these factors will be considered, on a case-by-case basis, in the analysis of each expansion proposal. Indeed the features of any proposed franchise expansion will be unique to the community it is focused on.

#### Public Interest

We reviewed the provisions of the JP to ensure consistency with the Company's obligation to provide safe and adequate service at just and reasonable rates, in accordance with PSL §§ 65 and 66, and to determine whether the JP provisions are in the public interest under the criteria outlined in our Settlement Guidelines.<sup>96</sup> Our review involved an appraisal of whether the JP terms comport with the law and applicable policies of the Commission and New York State; fall within the likely range of litigated outcomes; and fairly balance the interests of ratepayers, the Company and its investors. The existence of a complete record supporting the JP provides added weight to the agreement, as does the fact that the JP was entered into by normally adversarial parties.

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<sup>95</sup> Case 10-G-0295 and 10-G-154, St. Lawrence Gas Company, Inc., Order Granting Certificate of Environmental Compatibility and Public Need and Authorizing Exercise of New Franchises (issued February 18, 2011); Case 10-G-0295, Order Granting Amendment of Certificate of Public Convenience and Necessity (issued July 13, 2012) and Petition of St. Lawrence Gas Company, Inc. to Amend Certificate (filed June 29, 2012) (noting that "project costs have approximately tripled from the original amount").

<sup>96</sup> Case 90-M-0255, Proceeding on Settlement Procedures and Guidelines, Opinion No. 92-2 (issued March 24, 1992) ("Settlement Guidelines").



We find that the parties have satisfied their obligation to show that adoption of the JP terms will enable St. Lawrence to provide safe and adequate service at just and reasonable rates. Adoption of the terms of the JP also satisfies the criteria set forth in our Settlement Guidelines. The JP is the product of normally adversarial parties advocating in favor of their own interests. It is the end result of a several-month-long process following the filing of the Company's rate application and the responsive testimony and exhibits of Staff and intervenors. The parties' were afforded the opportunity to conduct in-depth investigations and extensive discovery of the St. Lawrence rate filing. The parties' subsequent negotiations resulted in a comprehensive agreement among the Company, Staff and MI that resolves all outstanding issues. The parties were given the opportunity to submit briefs or comments on the JP.<sup>97</sup> The evidentiary hearing held on June 16, 2016, provided an opportunity to cross-examine witnesses and test the reasonableness of the terms of the JP.

The parties' statements in support of the JP, their responses to questions proffered by the judge and their testimony at the evidentiary hearing justify specific provisions in the JP, as well as explain how and why the JP differs from the parties' litigated positions. We conclude from our review of this case that there is a complete record upon which to base our decision and that the provisions of the JP are rationally based and fall within the range of reasonable results that might result in a fully litigated case.

The rate increases in the JP will provide the Company with sufficient revenues for it to supply safe and adequate

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<sup>97</sup> The schedule provided for the filing of statements in support or opposition to the JP, briefs in response to the other parties' statements and post-hearing briefs.

service at just and reasonable rates. The bill impact of the annual rate increases will be eliminated in Rate Year 1 and substantially mitigated in Rate Years 2 and 3 as a result of the application of available customer credits. The three-year rate term will also allow ratepayers to budget their funds knowing that rate increases will be fixed over the three-year period. St. Lawrence will be assured of a certain revenue stream that will assist in its planning for program and capital spending. The Company, and ratepayers, will avoid the costs associated the litigation of rate filings for new rates to take effect before June 1, 2019. In sum, the JP balances the interests of ratepayers with the financial viability of the Company and is consistent with public policy.

CONCLUSION

We find that the provisions of the JP and the proposed three year rate plan for St. Lawrence are, as modified herein, is in the public interest and, therefore, adopted.

The Commission orders:

1. The rates, terms, conditions, and provisions of the Joint Proposal dated April 12, 2016, filed in these proceedings and attached hereto as Attachment 1, are adopted and incorporated herein to the extent consistent with the discussion herein.

2. St. Lawrence Gas Company, Inc. is directed to file a cancellation supplement, effective on not less than one day's notice, on or before July 28, 2016, cancelling the tariff amendments and supplements listed in Attachment 2.

3. St. Lawrence Gas Company, Inc. is authorized to file, on not less than one day's notice, to take effect on August 1, 2016, on a temporary basis, such tariff changes as are necessary to effectuate the terms of this Order for the rates in the rate year beginning June 1, 2016.

4. St. Lawrence Gas Company, Inc. shall serve copies of its filings on all active parties to these proceedings. Any party wishing to comment on the tariff amendments may do so by filing an original and five copies of its comments with the Secretary to the Commission and serving its comments upon all active parties within ten days of service of the tariff amendments. The amendments specified in the compliance filings shall not become effective on a permanent basis until approved by the Commission and will be subject to refund if any showing is made that the revisions are not in compliance with this Order.

5. St. Lawrence Gas Company, Inc. is directed to file such further tariff changes as are necessary to effectuate the rates for Rate Year 2 beginning June 1, 2017, and for Rate Year 3 beginning June 1, 2018. Such changes shall be filed on not less than 30 days' notice to be effective on a temporary basis.

6. On January 21, 2016 and March 9, 2016, St. Lawrence Gas Company, Inc. moved for one month extensions of the suspension period for Case 15-G-0382. Since this order is made within the suspension period to and including July 31, 2016, these motions are dismissed as moot.

7. The requirement of the Public Service Law §66(12)(b) that newspaper publication be completed prior to the effective date of the amendments for Rate Year 1 is waived; provided, however, that St. Lawrence Gas Company, Inc. shall file with the Secretary to the Commission, no later than six weeks following the effective date of the amendments, proof that a notice to the public of the changes set forth in the amendments and their effective date has been published once a week for four consecutive weeks in one or more newspapers having general circulation in the service territory. The requirements

of Public Service Law §66(12)(b) are not waived with respect to Rate Year 2 and Rate Year 3.

8. St. Lawrence Gas company, Inc. is directed to submit a report, no later than 60 days after the end of each rate year, identifying the grants issued in the previous rate year for the Area Revitalization Program.

9. In the Secretary's sole discretion, the deadlines set forth in this order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

10. Case 13-G-0076 is closed and the proceeding in Case 15-G-0382 is continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS  
Secretary

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

- CASE 15-G-0382 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of St. Lawrence Gas Company, Inc. for Gas Service.
- CASE 13-G-0076 - Petition of St. Lawrence Gas Company, Inc. for Permission to Defer Certain Expenses Related to In-Line Inspection of a 12” High Pressure Gas Main.

JOINT PROPOSAL TO  
NEW YORK STATE PUBLIC SERVICE COMMISSION

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STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

CASE 15-G-0382 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of St. Lawrence Gas Company, Inc. for Gas Service.

CASE 13-G-0076 - Petition of St. Lawrence Gas Company, Inc. for Permission to Defer Certain Expenses Related to In-Line Inspection of a 12" High Pressure Gas Main.

JOINT PROPOSAL TO THE  
NEW YORK STATE PUBLIC SERVICE COMMISSION

I. INTRODUCTION

This JOINT PROPOSAL (“Joint Proposal”) is made this 12th day of April 2016, by and among St. Lawrence Gas Company, Inc. (“St. Lawrence” or the “Company”), the New York State Department of Public Service Staff (“Staff”), and Multiple Intervenors (“MI”),<sup>1</sup> (collectively referred to herein as the “Signatory Parties”).<sup>2</sup>

A. Key Provisions of Joint Proposal

The Signatory Parties have developed a comprehensive set of terms and conditions for a three-year rate plan that applies to St. Lawrence’s gas rates and charges for sales and transportation services and its gas operations. The 12 months ending May 31, 2017 constitute the first rate year (“RY1”); the 12 months ending May 31, 2018 constitute the second rate year (“RY2”); and the 12 months ending May 31, 2019 constitute the third rate year (“RY3”). These terms and conditions are set forth below and

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<sup>1</sup> MI is an unincorporated association of 60 large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, including the St. Lawrence Gas service territory.

<sup>2</sup> Those parties included on the active parties list maintained by the Commission in this proceeding are referred to herein as “active parties” or “parties.”

in the attached Appendices. Specifically, this Joint Proposal addresses the following topics:

1. Effective Date and Term;
2. Gas Rate and Revenue Levels;
3. Computation and Disposition of Earnings;
4. Reconciliations, Deferrals and/or True-ups;
5. Additional Rate Provisions;
6. Miscellaneous Programs, Reporting Requirements and Tariff Issues;  
and
7. Other Provisions.

B. Background

On June 29, 2015, St. Lawrence filed amendments to its gas tariff schedule, P.S.C. No. 3, by which it proposed a general increase in its rates and charges. The proposed revisions provided for an increase of approximately \$1.228 million, or 2.96%, in its annual total operating revenues on the basis of forecast data for the 12 months ending May 31, 2017. The Company proposed an increase to delivery rates of 11.19%. The revenue deficiency was calculated on a basis that excluded costs and revenues associated with the Company's construction and operations in Franklin County (the "Expansion Area").

The Commission suspended the proposed revisions through November 25, 2015 by order issued July 8, 2015 in Case 15-G-0382. The Commission further suspended the proposed revisions through May 25, 2016 by order issued November 9, 2015. The Commission directed St. Lawrence to file with the Commission, not later than November 20, 2015, a consecutively numbered supplement announcing further suspension of the suspended amendments. During the course of settlement discussions (described below), it was agreed among the parties that the extension of the procedural schedule was necessary, including the Company's agreement to

an extension of the suspension period. As a result, the Company consented to extend the suspension period four times, finally to a date of September 30, 2016, though with the agreement of all parties that if rates were not approved in time for the June 1, 2016 beginning of the rate plan proposed in this Joint Proposal, the Company would be “made whole” as if revised rates did become effective June 1, 2016.

On October 28, 2015, Staff filed its direct case in Case 15-G-0382. In accordance with Commission rules, all parties to Case 15-G-0382 were notified in writing of the pendency of settlement negotiations, prior to their commencement, and notice of the impending negotiations was duly filed with the Secretary of the Commission (“Secretary”) by letter dated November 5, 2015. On February 12, 2013 St. Lawrence filed a petition in Case 13-G-0076, seeking permission to defer certain expenses related to in-line inspection of a 12” high pressure gas main. Notice of settlement discussions was also filed with the Secretary in Case 13-G-0076 on November 13, 2015.

Settlement negotiations took place in Albany and by teleconference over several days between November 2015 and March 2016, with the active participation of the following Parties: Staff, the Company, MI and Department of State Utility Intervention Unit (“UIU”). An agreement in principle was reached among the Signatory Parties on March 11, 2016 regarding the Company’s revenue requirement, rate design and revenue allocation. The UIU stated that it would not oppose any joint proposal reflecting such agreement, but that it would not sign onto it. The Signatory Parties believe that this Joint Proposal will further the objectives of the Commission, giving fair consideration to the interests of customers and shareholders alike in assuring the provision of safe and adequate service at just and reasonable rates, and appropriately resolving the issues addressed in the Company's requests in Case 15-G-0382 and 13-G-0076, raised by

Staff in its pre-filed testimony and also those raised as the Parties discussed settlement.

## II. OVERVIEW OF THE JOINT PROPOSAL

This Joint Proposal covers St. Lawrence's gas rates and service for the three year period June 1, 2016 through May 31, 2019 and results in a revenue requirement increase, which includes revenue taxes, of \$484,987 for RY1, an additional \$434,847 for RY2 and an additional \$307,322 for RY3, as shown on the bottom of Appendix A, page 1. Also, as described below, the parties agree that the Company should recover its ongoing "In-line-Inspection" costs through a separate collection mechanism, the Safety and Reliability Surcharge ("SRS"), resulting in a positive rate adjustment of \$214,600 annually over five years for Operation & Maintenance expense, plus recovery of carrying costs on capital investments.

The Joint Proposal provides for the use of customer credits over the three-year term of the agreement. Specifically, the credits resulted from over-collection on a variety of amortizations, the collection of which continued past December 31, 2012, the end of the rate plan established in Case 08-G-1392.<sup>3</sup> Such credits, will be netted against additional deferred costs to be recovered as discussed below, and applied to the various service classifications to offset the base rate increases and the SRS in each of three rate years. Further, as discussed below, a portion of these credits will be available for use in the two years following RY1 through RY3. The Signatory Parties also agree to apply a System Benefit Charge ("SBC") credit passback estimated at \$189,418 per year for RY1, RY2, and RY3. The net effect of the changes to base rates, the institution of the SRS, and the amortization of credits including the SBC are increases to bills of \$0 for RY1, a revenue increase

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<sup>3</sup> Case 08-G-1392, St. Lawrence - Gas Rates, Order Establishing Rate Plan (issued December 18, 2009).

of \$304,648 for RY2, and \$608,896 for RY3, excluding revenue taxes on those increases, as shown on Appendix A, page 16.

This Joint Proposal is intended to allow the Company an increase in base rates to cover net increases in the cost of providing service, including but not limited to payroll, system operation and maintenance, outside services, health insurance, injuries and damages expense, mandated safety programs, property taxes, depreciation, pensions, interest expense and capital expenditures. The cost increases in these areas are somewhat offset by cost decreases for uncollectibles, other post-employment benefits and regulatory expenses. At the same time, the Joint Proposal allocates the increased revenue responsibility among the rate classes in a manner generally consistent with the Company's cost of service.

### III. RATE PLAN

#### A. Revenue Requirement

##### 1. Overall Revenue Requirement

Appendix A shows the results of the various revenue and expense adjustments to the Rate Filing that were made to arrive at this proposed revenue requirement, as described above. The revenue requirement is based on a 9.00% return on common equity ("ROE"). Appendix A shows the calculations of the base rate increases and SRS, offset by the various credits due to customers, yielding total revenue impacts to the Company. Bill impacts by service class are also provided in Appendix B, pp. 5 through 13.

##### 2. Sales and Revenue Forecast

The Signatory Parties agree Appendix A reflects the overall sales forecast and the associated revenue forecasts that underlie this Joint Proposal. The following sections of the Joint Proposal are intended to memorialize the extent to which certain factors have

been considered in developing the sales and revenue forecast. The interruptible sharing threshold is increased as discussed below.

a. Firm Sales and Transportation Revenues

This Joint Proposal incorporates the firm sales and transportation forecasts and the adjusted gas costs aligned with gas revenues as set forth in Staff's pre-filed testimony. Additionally, the low income assistance program of \$283,920 is reflected as a line item in expenses and no longer as a revenue reduction. The reconciliation period will be the rate year. Uncollectibles in MFC/DRA revenues have been adjusted to reflect the uncollectible expense and will be updated to the new rate.

b. Interruptible Sales and Transportation Revenues

- i. Currently, the Company's rates include \$1,800,000 of imputed margin revenues from Interruptible Service. Actual margin revenues are reconciled annually for the twelve months ended December 31 of each year. The first \$100,000 of the difference between margin revenues received and the imputed "Interruptible Sharing Target," *i.e.*, any excess or deficiency from the imputed level is shared 85% to all SC-1 and SC-2 firm customers and 15% to the Company. In addition, the balance of any difference above or below the first \$100,000 is surcharged or refunded 100% to SC-1 and SC-2 customers. The 15% share kept by the Company is intended to provide an incentive to increase the throughput over which costs are spread, which in turn benefits all customers.
- ii. Based on the forecasted interruptible margin, the Signatory Parties agree to include \$2,436,473 in

interruptible margin revenues in revenues for each rate year. The design of the mechanism for the Interruptible Incentive Credit is maintained, and the Interruptible Sharing Target is increased from \$1,800,000 to \$2,436,473. The new target will take effect as of June 1, 2016. For the period beginning January 1, 2016 through May 31, 2016, the sharing mechanism target of \$1,800,000 will be prorated (prorated target) by the actual interruptible revenues for the period January 1, 2016 to May 31, 2016 (revenues to be reconciled) as a percentage of the actual interruptible revenues for the period January 1, 2016 to December 31, 2016 and the revenues to be reconciled will be reconciled to the prorated target, and filed in February 2017.<sup>4</sup> The resulting surcharge/refund will be surcharged/refunded to customers for five months, beginning March 1, 2017 and ending July 31, 2017. The reconciliation for the new period June 1, 2016 through May 31, 2017 would be filed July 2017. The resulting surcharge/refund would be surcharged/refunded to customers for twelve months, beginning August 1, 2017.

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<sup>4</sup> Example:  
Period of January 1, 2016 to May 31, 2016: actual interruptible revenues equal \$1,200,000  
Period of January 1, 2016 to December 31, 2016: actual interruptible revenues equal \$2,400,000.  
Proration target =  $1/2$  ( $\$1,200,000/\$2,400,000$ ) of  $\$1,800,000 = \$900,000$ . Also Company's \$15,000 becomes \$7,500.  
Reconciliation:  $\$1,200,000$  (collected) less  $\$900,000$  (imputation) less  $\$7,500$  (company share of first 50,000) =  $\$292,500$  to be returned to customers.



iii. As established in Case 02-G-1275 and continuing in the current case, SC-3 firm customers have specifically been excluded from the sharing mechanism in order to eliminate an existing pricing anomaly created by the related provisions of SC-4 Interruptible Service and SC-3 Large General Firm Service.

c. Cogeneration Revenues

The Company forecasts included the expected cogeneration revenues to be \$184,810, which the Signatory Parties agree upon.

d. Merchant Function Charge (“MFC”) Revenues

The Signatory Parties agree to continue the exclusion from base rates of all revenues and expenses associated with the MFC costs for gas procurement salaries, gas control, return on storage and uncollectible expense associated with gas commodity costs related to sales service. The MFC applies only to sales customers.

e. Distribution Rate Adjustment (“DRA”) Revenues

The Signatory Parties agree to continue the exclusion from base rate revenue requirement of all revenues and expenses associated with the DRA costs for gas procurement salaries, gas control, return on storage and uncollectible expense associated with gas commodity costs related to transportation service. The DRA applies only to transportation customers.

3. Operation and Maintenance Expenses

For RY1, an Operating Expense (not including cost of gas, depreciation, amortization and taxes) of \$9,285,058 was included in the Company’s initial rate filing. The Signatory Parties agree on a RY1 Operating Expense of \$9,266,861. Certain adjustments (both increases and decreases) were made to achieve this RY1 amount. Some of these adjustments are more fully explained below. RY2

and RY3 Operating Expense increases are \$161,211 and \$171,923, respectively.

a. Labor Expense

The Signatory Parties have agreed to adjust the originally filed payroll expenses of \$3,467,702 to a revised payroll expense of \$3,405,704. The adjustment is based on several changed assumptions and will also affect other payroll related benefit costs as specifically addressed below.

- i. First, the Signatory Parties agree to reduce the allowance for the Management Incentive Compensation plan by 30% from \$224,798 to \$157,357. Further, the signatory parties agree that the Company will include a total compensation study, inclusive of base pay, incentive compensation and the dollar value of benefits, in its next base rate increase filing, should it seek recovery of Incentive Compensation costs. The Company will consult with Staff regarding the Company's proposed methodology for this study prior to its preparation.
- ii. Second, rate recovery of annual management wage increases are limited to inflation, or approximately 2%, through the end of the Rate Plan.
- iii. Third, overtime expense is based on the five-year historical average of overtime hours multiplied by rate year wages.
- iv. Fourth, a payroll reserve was established for the training of new hires to mitigate the effects of upcoming retirements: \$26,000 (RY1); \$36,000 (RY2); and \$46,000 (RY3).

b. Safety and Reliability Surcharge (“SRS”) Mechanism

The Company shall implement a Safety and Reliability Surcharge (“SRS”) Mechanism through which it can recover certain specific costs from all customers. The SRS will apply to expansion area customers as well. The Company can collect \$214,600 in each of RY1 through RY3 and the two following twelve month periods through the SRS mechanism to provide recovery of \$1,073,000 in total forecasted O&M expenses for the Company’s in-line inspection (ILI) program. In addition, the Company can collect carrying costs (*i.e.*, return and depreciation expense) on specific ILI capital projects placed into service in RY1, RY2 and RY3.

The SRS Mechanism will be used to collect carrying costs for the capital costs associated with the following ILI projects:

- 10-inch (Massena to Norwood) - \$585,000
- 8-inch (Norwood to Ogdensburg) - \$1,500,000

Before commencing recovery of costs for a project through the SRS, the Company must make a compliance filing with the Secretary after the project has been properly inspected. Properly inspected is defined as the unobstructed deployment of the ILI “smart pig” resulting in a final report that would indicate any anomalies. Further, after the Company makes its initial SRS filing, it must make an annual filing within 60 days of the end of each rate year to reconcile authorized to actual collections and update the surcharge for any accumulated depreciation associated with the projects. Any under-collections or over-collections will accrue interest at the Other Customer Provided Capital rate established by the Commission each year. The revised surcharge will go into effect 60 days after submittal, subject to review by Staff.

After St. Lawrence has incurred actual capital expenditures for the projects listed above, and the projects have been properly inspected and approved, then the amount of those expenditures (net of associated (i) retirements, (ii) accumulated deferred income taxes (“ADIT”), and (iii) accumulated depreciation reserve, (*i.e.*, the net rate base (“NRB”)) will constitute the incremental rate base investment subject to the SRS mechanism.

St. Lawrence will be entitled to assess the SRS on customers’ bills based on a pre-tax rate of return for RY 1 of 8.04%; RY 2 of 8.01%; and RY 3 of 7.99%, applied to the net rate base increase. The cost of annual depreciation expense will be added to that amount, and the total will be divided by projected annual gas revenues as defined below.

The aggregate SRS will be calculated as follows:

$$\text{SRS} = [(\text{NRB} \times \text{Pre-tax ROR}) + \text{D}]$$

Where:

D = the annual depreciation expense on the net additions

St. Lawrence will provide Staff with detailed project information (including, but not limited to, in service dates, actual paid capital expenditures, replacements and retirements) with the filing.

The SRS will remain in place until the Commission issues a rate order in the Company’s next general rate case. It is anticipated that all capital costs, the carrying charges for which had previously been collected through the SRS will be accounted for and included in base rates. The SRS is also addressed in Appendix C.

c. ILI 2012 Deferral

The Company has a pending request to defer \$216,378.57 (Case 13-G-0076). The signatory parties agree the Company will recover 80%, or \$173,102.86, of the 2012 requested deferral amount. This amount will be included in the items to be amortized in this case (*e.g.*, built up deferral balance from the Company's last rate plan).

d. ILI 2013 Costs

In this case, Company also requested recovery of \$186,937.14 for ILI costs incurred during 2013. The Company will not be allowed to recover these costs.

e. Outreach & Education Expense

The Signatory Parties agree that the amount in rates is the Test Year number, plus inflation, or \$44,962.

f. EEPS Systems Benefit Charge Unspent Funds

As of December 31, 2015, the Company is no longer required to implement energy efficiency programs established in the Energy Efficiency Portfolio Standard (EEPS) initiative in Case 07-M-0548 et al.,<sup>5</sup> and the Company's customers are no longer eligible for rebates under that initiative. The Company's current accumulated unspent System Benefit Charge ("SBC") funds balance, as of February 29, 2016, is \$568,254, and will be refunded to customers, with carrying charges at the Other Customer

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<sup>5</sup> See Case 07-M-0548, *et al.*, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, Order Authorizing Utility-Administered Gas Energy Efficiency Portfolios for Implementation Beginning January 1, 2016, issued June 19, 2015 at 16 (stating "St. Lawrence...will therefore not be required to implement energy efficiency programs beyond December 31, 2015").

Capital Rate, within the pre-existing franchise area over a three year period consisting of RY1, RY2, and RY3.<sup>6</sup>

Customers in service classifications that were subject to the SBC will receive an annual refund of approximately \$189,418 in each year of the aforementioned three-year period. The Company will reconcile the amount refunded to customers to the annual target refund amount, with any over- or under-collections included in the subsequent refund calculation.<sup>7</sup> St. Lawrence will file the required reconciliation within 120 days of the end of each Rate Year.

g. Marketing and Incentives for Conversions

The Signatory Parties agree to advance marketing and incentives to encourage customers to convert to natural gas from alternative fuels, including Massena Electric heating customers. Conversion incentives funding shall be combined and include a total of \$35,000 annually. This amount will be subject to a downward-only true up, calculated cumulatively for the period from RY1 until rates are reset. No additional funding for marketing is contemplated or included. The incentive levels and details of the plan will be established collaboratively with Staff. The Company will submit a report to the Secretary with its plan within 90 days of the date of issuance of the Commission's rate order in this proceeding.

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<sup>6</sup> As only a de minimis amount of SBC was collected from Franklin County Expansion customers the funds will only be refunded to customers in the pre-existing franchise area.

<sup>7</sup> The Company's reconciliation calculation will be subject to Staff's audit.

h. Uncollectible Expense

The Signatory Parties agree to an uncollectible expense of \$190,304 for RY1. There will not be a true-up of uncollectible expense for the portion collected in delivery rates. The portion of the total uncollectible expense collected through the MFC and DRA will continue to be trued-up with the annual reconciliations of the MFC and DRA, as described in Section VI.B.R.b, below.

i. Outside Services – Enbridge, Inc. (“EI”) Intercompany Charges

The Signatory Parties agree that the RY1 rate allowance for EI Intercompany Charges is \$309,445. For RY2 and RY3, this amount is increased by inflation. The Signatory Parties further agree to the following conditions to improve the corporate allocations process going forward:

1. Enbridge, Inc. charges to St. Lawrence, whether direct or allocated, must be service-based, or otherwise provide a demonstrable benefit to customers (*e.g.*, insurance, financing, on-call staff or expertise) to be included in a rate application. Stated differently, for affiliate services to be recovered in rates, the services, if done by St. Lawrence itself, would be allowed as part of the “cost of service” recoverable from customers.
2. St. Lawrence must receive and review a statement from Enbridge, Inc. detailing the variances between budgeted and actual costs on at least an annual basis. The Company will request recovery of actual, not estimated or budgeted, costs.

3. St. Lawrence must have Service Level Agreements with Enbridge, Inc. for each major function.
4. St. Lawrence shall provide detailed documentation in the next rate case to support the EI corporate allocated costs for which rate recovery is then sought.
5. St. Lawrence shall do a benchmarking study comparing its large cost components such as IT, as well as total A&G to other gas utilities of similar size. The analysis should be done on a per customer basis, or % of total revenues. This should be done internally, and thus no costs are recoverable as a rate case expense.

j. Pension

1. Rate Allowance - The Signatory Parties agree to a pension expense allowance of \$1,304,546 that is based on the net periodic pension cost from the latest actuarial report for the calendar year 2014, updated. The pension expense forecast and deferral balance is in compliance with the Commission's Pension / Other Post Employment Benefits (OPEBs) Policy Statement.
2. Pension Fund Investments - The Company's Pension Fund investments are comprised of two components. The first component consists of pension fund investments funding future retiree benefits. The second component consists of investments funding current retiree benefits. Both components are invested and managed by Mass Mutual. The investment component funding future retiree benefits



is invested in a fixed income product providing a base 3.25% return with the opportunity to earn additional interest if Mass Mutual chooses to allocate it to the investments. When an employee retires the Company converts the appropriate pension fund assets to an annuity to pay benefits. Within 90 days of the issuance of the rate order in this proceeding, the Company will file with the Secretary a report: (a) demonstrating its current method of funding both the current and future retiree benefits is the most cost effective method of funding its pension benefits; or (b) if it is not the most cost effective method the report will state which alternative method is preferred and demonstrate how and why it reached this conclusion. The report will include all alternatives examined by the Company in deriving the most cost effective funding/investment method. If the report concludes that the Company's contracts with Mass Mutual do not allow it to switch the pension fund assets to an alternative provider, the Company will provide a legal opinion explaining this conclusion together with the report. In addition, if it cannot switch to an alternative provider the Company will provide a letter from Mass Mutual stating which, if any, alternative investment strategies may be employed and which of the alternative strategies will be used by the Company.

k. Supplemental Pension Expense

The Signatory Parties agree to a supplemental pension expense allowance of \$52,587, for the Company's management employees who no longer accrue benefits through the qualified pension plan. This pension expense will not be included in the reconciliation requirements of the Commission's Pension and OPEBs Policy Statement.

l. Health Insurance

The Signatory Parties agree to a RY1 health insurance expense level of \$557,760 that reflects adjustments for various Company updates including the impacts of the provisions of the recently approved labor union contract, and reflecting the latest known premiums for calendar 2016 with an increase for inflation and coverage for an additional employee. Inflation is applied in years two and three of the Rate Plan.

m. Amortization of Public Awareness and Safety Program Deferral

The rate plan adopted in Case 08-G-1392 provided the Company with \$60,000 for this program, but required the Company to defer, for customer benefit, any under-spending. This Agreement reflects the imputed deferred balance at May 31, 2016 of \$85,354, which amount shall be deferred and amortized over three years, or \$28,451 per year.

n. Low Income Assistance Program

The existing program is based on \$132,000, but was never included as an O&M expense; it was only accounted for in rate design, *i.e.*, the minimum Customer Charge for qualifying low income customers was reduced by \$5 per

month from the otherwise applicable charge in the revenue calculation. The Signatory Parties agree to an enhanced Low Income Assistance Program at a forecasted amount of \$283,920, which is included in O&M expense. Currently any customer who is a HEAP recipient receives a \$5 reduction/month to the Customer Charge on their bill. The Signatory Parties agree a regular HEAP recipient still receives the \$5 reduction/month, but a HEAP recipient with add-ons receives a \$10 reduction/month. An add-on is provided when a HEAP recipient either has a vulnerable person, defined as an elderly or disabled individual, or child under six years, or an income level below 130% of the federal poverty level. Currently the program is based on 2,200 customers. The updated Program is based on 2,600 customers and includes the expansion area. The discount/credit program will be implemented with no recovery of any additional administrative costs. The low income program also continues the practice of a 50% reconnection fee waiver, should service be reconnected after termination for failure to pay.

The program will continue beyond RY3, unless or until modified or discontinued by the Commission. If the Commission adopts statewide guidelines for low income assistance programs in Case 14-M-0565, or other applicable case, then the Company shall implement a program in conformance with the Commission's directives. The Company shall continue to defer any over- or under-collections for future disposition by the Commission.

o. Regulatory Commission Expense

The Signatory Parties agree that the Company will reconcile the full Temporary State Energy (“TSA”) expense in accordance with Commission orders.<sup>8</sup> The RY1 total regulatory expense allowance is \$594,414, including an updated forecast NYSERDA fee. This amount increases in RY2 and RY3 by \$12,364 and \$12,742, respectively.

The following amounts are reflected in the base rate revenue requirement for the PSL §18-a assessment:

|   |     |                        |
|---|-----|------------------------|
| ◆ | RY1 | \$390,878              |
| ◆ | RY2 | \$399,008              |
| ◆ | RY3 | \$407,387 <sup>9</sup> |

p. Inflation

Inflation Based Expenses are a set of Operation and Maintenance costs that are not otherwise individually adjusted for ongoing price increases. The Signatory Parties agree to a RY1 inflation expense allowance of \$68,900, based on a cumulative inflation factor of 4.10%, covering the time period from the end of the historic test year, December 31, 2014, to the end of the first rate year, May 31, 2017. The revenue requirement under the Rate Plan recognizes the application of an inflation factor of 2.08% and 2.10% respectively in years two and three to the inflation-based O&M expenses.

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<sup>8</sup> Case 09-M-0311, Establishing a Temporary Annual Assessment, Order Implementing Temporary State Assessment (issued June 19, 2009); and, Id., Order Implementing Revised Temporary State Assessment (issued June 18, 2014).

<sup>9</sup> The TSA inflation amount from RY 1 to RY2 of \$8,130; and, from RY1 to RY 3 of \$16,509 are recovered through the company delivery rates.

q. Productivity Adjustment

The Signatory Parties have agreed to adjustments for the application of a 1% productivity adjustment, totaling a reduction to expense of \$60,031, based on payroll and related overheads. Inflation is applied in years two and three of the Rate Plan.

4. Depreciation Expense

The Signatory Parties agree to a depreciation expense of \$1,168,072. New depreciation rates will become effective that reflect the results of the depreciation study submitted in this proceeding, as well as any Staff and Company adjustments. The succeeding two rate years will reflect the following amount of depreciation expense respectively of \$1,255,785 and \$1,313,656.

5. Taxes Other Than Income Taxes

a. Payroll Taxes

An adjustment of (\$17,175) was made to the Company's presentation of Payroll taxes (FICA and Unemployment Taxes) to track the adjustments to Payroll expense, resulting in an agreed RY1 amount of \$268,204, increasing in RY2 to \$273,783 and RY3 to \$279,532.

b. Property Taxes

The Signatory Parties agree that Property Taxes should reflect an expected Economic Obsolescence Award, resulting in a RY1 forecasted property tax allowance of \$1,625,561. RY2 and RY3 amounts increase to \$1,659,373 and \$1,694,219, respectively based on inflation.

The Signatory Parties also agree to continue the 90/10 (ratepayer/shareholder) mechanism to defer in a separate account 90% of the difference between actual and allowed property tax expense each year. Further, the Signatory Parties agree to increase

the deferral of property taxes from the rate plan adopted in Case 08-G-1392 by \$311,834 to an estimated total of \$694,832, or \$138,966 over each of five years, to reflect an estimate of EO awards the Company could have sought for the years 2010 through 2014. The Company will account for this property tax adjustment as a below the line expense, and in a manner it determines to be appropriate. The Signatory Parties agree that the Company can account for the EO property tax adjustment in increments over the five year amortization period. The effects of the total \$311,834 EO adjustment will not be included in the Earnings Sharing Mechanism calculation.

6. Federal and State Income Taxes and Deferred Income Taxes

As a result of the various changes to revenues and expenses, corresponding adjustments to Federal and State Income Taxes and Deferred Income Taxes have also been made. Such calculations are included in Appendix A.

B. Rate Base

The agreed upon rate base for RY1 is \$ 26,698,472 million, for RY2 is \$29,162,277 million, and for RY3 is \$30,314,521 million.

1. Capital Expenditures

a. Projected Amounts

For RY1, Capital Expenditures of \$2,991,200 are projected. Capital Expenditures for RY2 are projected at \$3,318,400 and RY3 are projected at \$1,943,700.

b. True-Up Procedure

There will continue to be a full true-up of the revenue requirement associated with any actual under-spending of capital expenditures compared to the forecast for the cumulative three rate years. If actual expenditures fall short of the Commission approved

amount (set forth in 1.a., above), the Company will defer for ratepayer benefit the amount of the revenue requirement effect due to any shortfall, as well as the related depreciation expense allowance.

c. Development of Capital Budget Variance Reporting

St. Lawrence will develop a capital budget variance reporting system in conjunction with the implementation of the capital expenditure true-up procedure. The variance reporting system will, at minimum, track variances by capital budget line item by month.

2. Earnings Base versus Capitalization (EBCAP)

The Signatory Parties agreed to increase EBCAP by \$1,055,696, yielding a total EBCAP rate base reduction of \$2,938,069.

V. Rate of Return and Capital Structure

The Signatory Parties agree to an average return on equity (“ROE”) of 9.00% over the three year settlement term.

A. Cost of Capital

The Signatory Parties agree that new rates are designed to achieve an ROE of 9.00% on a levelized basis over the three years of the rate plan. Further, the Company’s total cost of capital is based upon a 48.00% equity ratio, and assumes the maintenance of such capitalization set forth in Appendices A and D. The cost rate of the Company’s fixed-rate debt is 2.980% for the duration of the rate plan. The cost rate of the Company’s short term debt (24.16%, 26.51% and 27.48% of its total capitalization for RY1, RY2 and RY3, respectively, as illustrated in Appendix A and Appendix D) is variable, and reflects the Company’s recent actual rate (*i.e.*, 1.473%). The Signatory Parties agree to continue the true-up of the actual

interest rates incurred for these floating rate obligations at the conclusion of the rate plan, as further discussed in Appendix D, page 1.

B. Earnings Sharing Mechanism (“ESM”)

In the event the Company achieves a regulatory rate of return on its common equity above 9.50% on a June 1 through May 31 twelve month basis, excluding the Expansion Area, the Company will share the earnings in excess of 9.50% with customers as follows: earnings above 9.50% and up to 10.00% will be shared 50%/50% between the Company and customers; earnings above 10.00% and up to 10.50% will be shared 80% customers / 20% Company; and earnings above 10.50% will be shared 90% customers / 10% Company. The earnings sharing will continue beyond RY3, until modified by the Commission.

The calculation of such earnings will be on an annual basis for each rate year period commencing June 1, 2016. Earnings for each rate year will be measured individually, and any overearnings that are owed to customers will be placed in a deferred credit account for future disposition to be determined by the Commission. Any discrete incentives (*e.g.*, safety metrics) and revenue adjustments would not be included in the earned ROE calculation. A chart detailing the ESM can be found on Appendix D, p. 2.

C. Variable Rate Interest Rate True-Up

The actual variable Short-Term Interest rate cost shall be trued-up at the end of each rate year and any over- or under- collection will be deferred to the end of the rate plan for future disposition to be determined by the Commission.

The calculation of the amount of any over or under collection will be determined by taking the difference between the Company’s actual annual short-term interest expense and the Company’s average annual short-term debt balance multiplied by 1.473% for each rate year. For example, the annual short term interest expense in RY1 would be calculated by



multiplying the amount of short term debt included in the capital structure for RY1 by the 1.473% short term interest rate cost. This represents the short term interest expense included in the Company's rates. That figure would be compared with the actual annual short term debt interest expense incurred for RY1 and the difference would be deferred as would the differences in the subsequent rate years. The over- and or under-deferrals would accumulate to the end of the rate plan for future disposition to be determined by the Commission.

D. Reporting

Within 90 days following the end of each rate year, the Company shall file with the Secretary a computation of achieved regulatory rate of return on common equity for the preceding period and a report calculating the yearly short-term debt interest expense deferrals.

VI. AMORTIZATIONS AND DEFERRALS

The Commission previously granted the Company authority to use deferral accounting for various cost and expense items. The authorization of deferral accounting will continue for various items, as discussed below, and will terminate for various items at the end of RY3.

In its original filing the Company showed a net credit deferral balance of approximately \$2.4 million, which it proposed to return to ratepayers over a three-year period, with the net credit unamortized balance included in rate base. The Signatory Parties agreed to include two additional deferral item(s) in the calculation, plus two deferral items were modified. The 2015 rate case deferral was increased due to additional expense; the Public Awareness and Education deferral was included; the 2012 ILI deferral was included; and; the property tax true up deferral was increased to include an amount for an EO award the parties agreed the Company could have received if it had made an EO filing. Further, as part of this agreement the Signatory Parties agree to amortize the total property tax

deferral over a 5 year period. As of May 31, 2016, after the above adjustments, the Company has accrued a net credit deferral balance of approximately \$2.5 million. The Signatory Parties agree to use this credit as a bill moderator and pass the applicable dollars back to the ratepayers over RY1 through RY3. At the end of RY3 some credits will remain available to be used in the following two years to avoid greater bill impacts and to reflect the five year amortization for return of the property tax deferrals.

At the end of RY3, the approximate credit balance, exclusive of the property tax credit balance is \$447,625 (Appendix E, Page 3 of 3) remains. If St. Lawrence does not request new rates to be effective immediately at the conclusion of RY3, the Signatory Parties agree that the remaining credits should be used as set forth in Appendix B and E. If the Company requests new rates and a credit balance remains available, it can be used in that subsequent rate case as the Commission determines.

A. Current Deferrals and Amortizations

The Company is authorized to continue the use of deferral accounting and amortization for the following items:

1. Pension Expense, with the balance being amortized over five years;<sup>10</sup>
2. Post Employment Benefits Other than Pensions (OPEBs);<sup>11</sup>
3. Area Revitalization Program will continue as described in Case 05-G-1635;
4. Gas Adjustment Clause (GAC)

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<sup>10</sup> Case 91-M-0890, In the Matter of the Development of a Statement of Policy Concerning Accounting and Ratemaking Treatment for Pensions and Postretirement Benefits Other than Pensions, Statement of Policy and Order Concerning the Accounting and Ratemaking Treatment for Pensions and Postretirement Benefits Other than Pensions (issued September 7, 1993).

<sup>11</sup> Id.

- a. Sharing of Off-system sales, capacity release and portfolio management margins will continue as described in Case 05-G-1635 (85%/15% customer/shareholder sharing);
  - b. Optimization Program will continue as described in the rate order issued in Case 05-G-1635;
5. S&S Billing System Amortization (through December 31, 2016);
  6. Excess Depreciation Reserve Amortization;
  7. The following unamortized deferrals from Case 06-G-1471 will be fully amortized with surcredits as discussed elsewhere herein in this case by the year following RY3:
    - a. amortization of uncollectible expense,
    - b. amortization of regulatory commission expenses
    - c. amortization of carrying cost on gas in storage, and
    - d. amortization of property taxes.

**B. Current Deferrals and Amortizations with Modifications**

The following existing deferral or amortization mechanisms will continue as modified:

1. S.C. 4 revenue sharing – the first \$100,000 of margin revenue deviation from the target level will continue to be symmetrically shared 85%/15% customers/shareholders and the margin target for S.C. 4 will be reset to \$2,436,473
2. GAC may continue to include deferral of Gas Hedge Options Premiums;
3. Merchant Function Charge (“MFC”):
  - a. Full annual true-up of gas supply procurement costs for variations in sales from forecasted levels will continue with a new target of \$31,757 without Gross Receipts Tax;
  - b. The uncollectible expense associated with gas costs will be reflected by multiplying the uncollectible rate of 0.57% by

the total gas cost expense associated with sales service.

These components will be adjusted annually for changes in gas costs, variations in sales from forecasted levels, but not changes in the uncollectible rate itself;

- c. Full annual true-up of gas control costs for variations in sales from forecasted levels will continue with a new target of \$29,659 without Gross Receipts Tax;
  - d. Full annual true-up of carrying costs at the effective Other Customer Capital Rate, set annually by the Commission (2.60% for 2016), on gas in storage for changes in gas costs due to price changes (not changes in storage volumes) and for variations in sales from forecasted levels;
4. Distribution Rate Adjustment (DRA)
- a. Full true-up of gas supply procurement costs for variations in sales from forecasted levels to a target of \$15,879 without revenue taxes;
  - b. The uncollectible expense associated with gas costs will be reflected by multiplying the uncollectible rate of 0.57% by the total gas cost expense associated with transportation service. These components will be adjusted annually for changes in gas costs, variations in sales from forecasted levels, but not changes in the uncollectible rate itself;
  - c. Full true-up of gas control costs for variations in sales from forecasted levels to a target of \$29,659 without revenue taxes;
  - d. Full true-up of carrying costs at the effective Other Customer Capital Rate, set annually by the Commission (2.60% for 2016), on gas in storage for changes in gas costs due to price changes (not changes in storage volumes) and for variations in sales from forecasted levels;

5. Full true-up of low income program costs (\$283,920) reflected in rates to the actual discounts provided;
6. Full true-up of the revenue requirement associated with any actual under-spending of capital expenditures compared to the forecast for the cumulative three rate years;
7. Full true-up for revenue decoupling of the SC-1 and SC-2 customer classes as discussed below;
8. Variable rate interest rate true-up and reconciliation;
9. Any revenue requirements relating to the Franklin County Expansion will be based upon the outcome of that proceeding;
10. Amortization of the rate case expenses from the current case will be fully amortized over RY1 through RY3 through the net surcredit;
11. A property tax sharing mechanism of 90/10 (ratepayer / shareholder) will be continued. Any difference between the actual and allowed property tax expense, will be booked to a deferred account for each year of the rate plan, with disposition of the amounts to be determined by the Commission at a future date;
12. Regulatory Commission Expense- the PSL 18-a TSA, as described above, continues until new rates are set.

C. Future Deferrals

1. The Company retains the right to petition the Commission for authorization to defer extraordinary expenditures or revenue loss not otherwise addressed by this Joint Proposal;
2. To the extent that new mandatory regulatory, legislative or accounting changes, tax law changes, other regulatory policy changes, or other events materially affecting the Company's cost of providing service, not specifically addressed herein, become effective or occur during the Rate Period covered by this Joint Proposal, any

Party hereto may petition the Commission to adjust the Company's rates accordingly.

## VII. REVENUE ALLOCATION AND RATE DESIGN

The revenue allocation is the result of compromise based on the Signatory Parties' agreement on the final impact on rates, consideration of minimum charges for SC-2 and SC-3 and is guided by the Company's cost studies. Changes to the customer/initial block charges and to volumetric delivery charges, as well as the resulting rates to customers are shown in Appendix B.

### A. Rate Design – Base Rates

The Signatory Parties agree to a base rate increase for SC-2 to be allocated to the first three volumetric blocks (*i.e.*, not allocated to the initial block/minimum customer charge or the tail block).

The Signatory Parties agree to a base rate increase of \$20,000 for SC-3 over the three rate years, with a \$15 increase in monthly minimum charge in RY1, \$30 in RY2, and \$45 in RY3, with the remainder of the increase collected through the volumetric blocks.

### B. Rate Design - Surcredits

Deferral credits were not used to calculate base rates to avoid accumulation of significant deferrals if the Company does not file for new rates to be effective at the end of RY3. The surcredits were allocated to RY1, RY2, and RY3 to levelize bill impacts, Some deferral credits remain unused during RY1 – RY3 to be used in the following two years to avoid greater bill impacts if the Company does not file for new rates and to reflect the five year amortization for return of the property tax deferrals. Surcredit rates were calculated for the following year at the completion of the rate plan for base rates and for the following two years at the completion of the rate plan for the ILI surcharge. Those deferral credits would be available

for future rate mitigation if the Company does file for new rates to be effective at the completion of the three year rate plan.

C. Tariffed Gas Transportation Agreement

The Signatory Parties agree to the addition of language between the current Section 18 and 19 on tariff leaf 232 to provide a limited ability to amend/negotiate the form Gas Transportation Agreement found in the tariff beginning on leaf 221 for a customer, based on a customer's need to meet other legal requirements, as follows: "The Company has the authority to enter into contracts, including confidentiality agreements, to address requirements imposed upon customers as a result of legal requirements. Such contracts must be submitted to the Secretary."

D. Merchant Function Charge (MFC)

This Proposal includes the continuation of an MFC for the commodity-related costs of natural gas service. The MFC is applicable to St. Lawrence SC-1S, SC-2S, and SC-3S Tariffs. The total revenue requirement collected through the MFC would be \$224,049.

E. Delivery Rate Adjustment (DRA)

1. The Signatory Parties agree that St. Lawrence will continue a DRA and a related statement for its three tariffs, SC-1T, SC-2T and SC-3T. The DRA statement will include the current period and any surcharge or refund from the prior period that will be charged to customers.
2. The total revenue requirement collected through the DRA would be \$84,178.

F. Low Income Program Costs

The cost of the program will be recovered in base rates. Cost differences from the projected \$283,920 program costs will be deferred for future disposition by the Commission.

G. Revenue Decoupling Mechanism (“RDM”)

1. The Signatory Parties agree to continuation of an RDM for Residential Sales and Transportation Customers taking service under SC-1 which reconciles actual delivery service revenues to allowed delivery service revenues. The Signatory Parties agree to implementation of such an RDM to commercial customers taking service under SC-2 as well.
2. Appendix B provides the revenue per customer (RPC) for SC 1 and SC 2 for RY1, RY2, and RY3 and explains how the annual reconciliation (June 1 through May 31) of the RDM for each class is to be conducted. The annual reconciliation of the RDM will continue using the RY3 RPCs and the deferral credits specified in Appendix B, until the Company’s rates are next reset.

VIII. REGULATORY GOALS

A. Customer Service Quality Performance Mechanism

St. Lawrence Gas Service Quality Performance Mechanism will be continued in its current form with some updated metric values and with the following new customer service measure:

- Termination/Uncollectible Expense

Performance for all measures will be assessed on a calendar year basis. The Service Quality Performance Mechanism shall continue until modified by the Commission. In any rate year that St. Lawrence fails to achieve any of the service quality thresholds, a revenue adjustment will be imposed for the year equal to the dollar amount assigned to the threshold. Revenue adjustments will be in pre-tax dollars. Revenue adjustments pursuant to this mechanism will be deferred for future ratepayer use. The maximum annual dollar revenue adjustment for the two measures is



\$36,000. The amount of \$18,000 is apportioned to each of the two service measures.

1. PSC Complaint Rate

A complaint threshold will be measured by PSC complaint data for the 12-month period covered by each calendar year. St. Lawrence’s PSC complaint threshold will be 2.2 complaints for the calendar year based on 12 months data. If the PSC Complaint Rate is greater than or equal to 2.2 complaints, St. Lawrence will incur the minimum negative revenue adjustment. If the PSC Complaint Rate for each calendar year is greater than or equal to 3.4 complaints, St. Lawrence will be subject to the maximum negative revenue adjustment. Revenue adjustments will be assessed based on the following sliding scale:

| <u>Measures</u> | <u>Achievement Scale</u> | <u>Revenue Adjustment</u> |
|-----------------|--------------------------|---------------------------|
| PSC Complaints  | <2.2                     | \$0                       |
|                 | >=2.2                    | \$6,000                   |
|                 | >= 2.8                   | \$12,000                  |
|                 | >=3.4                    | \$18,000                  |

During the term of this Rate Plan, and until otherwise directed by the Commission, the PSC Complaint Rate is the 12-month escalated complaint rate as reported by Staff in the “Office of Consumer Services Monthly Report on Consumer Complaint Activity” that includes data for January through December of each calendar year, as is currently done.

If changes are made to the complaint handling procedures or contact classifications on which these threshold rates are based, then the measurement method and the complaint targets should be modified. Any such modifications would be mutually agreed upon

by Staff and the Company in writing and would be established based on a reasonable period of experience. In the event that Staff and St. Lawrence cannot agree on such a period, the matter would be referred to the Commission for resolution. The threshold and complaint rate targets set forth above would remain in effect until the matter is resolved by agreement or Commission order.

2. Overall Customer Satisfaction Index

An overall customer satisfaction index will be calculated based on the results of the annual customer satisfaction survey and will reflect the percentage of customers satisfied with the service they receive from the Company. The survey will be conducted by an independent vendor on a group deemed to be representative of St. Lawrence’s residential customers and a second group deemed to be representative of its commercial and industrial customers. If the overall satisfaction index in any year of the Rate Plan is equal to or below the minimum satisfaction index, St. Lawrence will be subject to a minimum negative revenue adjustment. If the annual survey results drop to the maximum satisfaction index or below, St. Lawrence will incur the maximum negative revenue adjustment. St. Lawrence shall be assessed the following potential negative revenue adjustments on this measure, based on this sliding scale:

| <u>Measures</u>                         | <u>Achievement Scale</u> | <u>Revenue Adjustment</u> |
|---|--------------------------|---------------------------|
| Overall Customer Satisfaction Index (%) | > 84%                    | \$ 0                      |
|   | <= 84%                   | \$ 6,000                  |
|   | <= 83%                   | \$12,000                  |
|   | <= 82%                   | \$18,000                  |

3. Customer Satisfaction Survey

St. Lawrence will continue to have an independent customer satisfaction survey that will allow the Company to accurately assess its level of service and make any necessary improvements. Within 60 days after such surveys are completed, St. Lawrence shall report to the Commission the results of the survey, propose any changes to minimum, intermediate and maximum customer satisfaction indices to be used in determining performance according to the scale above, and describe how it plans to address legitimate customer suggestions, if any, that are developed as a result of the survey.

B. Termination/Uncollectible Expense Incentive

The Signatory Parties agree on an additional performance measure to foster a reduction in customer terminations and in uncollectible expense. This measure shall be a positive incentive only, as set forth below, calculated on a calendar year basis:

|                    | Customer Terminations | Bad Debt  |
|--------------------|-----------------------|-----------|
| Three Year Average | 466                   | \$204,000 |
| Target             | <=451                 | \$173,000 |

Specifically, the Company shall be entitled to an incentive of \$12,000 per year if both measures are at or below target set forth above; and \$6,000 per year if one measure is at or below target and the other is at or below the three-year average. If neither measure is at or below the target, the Company shall not be entitled to any positive incentive, but shall not be subject to any financial penalty.

C. Reporting Requirements:

1. Low Income – The Company will file an annual report with the Secretary. This report will include the number of low income bill

discount recipients, program expenditures for the year, the number of customers terminated, and the number of terminated participants who had service reconnected.

2. Service Quality - The two customer service measures will be tracked and calculated separately on an annual basis. St. Lawrence will submit the results of its service quality performance to the Secretary. The report for each calendar year will include an assurance of the integrity of the results either by including verification of all reported survey data by a third party audit or an attestation by a St. Lawrence officer that the results are accurate and verifiable.

D. Gas Safety and Service Reliability

1. Gas Safety Performance Metrics

This Proposal establishes Gas Safety Performance Metrics for St. Lawrence. The specific metrics, targets and associated negative revenue adjustments, as well as the reporting requirements associated with St. Lawrence's Gas Safety Performance Metrics, are set forth in Appendix F. In addition to continuing, with certain modifications, the Company's existing Gas Safety Performance Metric relating to Emergency Response, this Joint Proposal establishes new Gas Safety Performance Measures relating to Leak Management, Damage Prevention and Violations. The Emergency Response, Damage Prevention, Leak Backlog and Safety Violation targets and associated negative revenue adjustments remain in effect at the RY3 level for each subsequent year until modified by the Commission. Note that any negative revenue adjustments per year on an aggregate basis may not exceed 92 basis points in RY1, 117 basis points in RY2, and 142 basis points in RY3.

2. Code of Conduct with Affiliates

The Signatory Parties agree that the Company will work collaboratively with Staff and other interested parties to draft a Code of Conduct for submission to the Secretary and Commission approval. The proposed Code of Conduct shall be submitted within 120 days of the date the rate order is issued in this proceeding.

3. Gas Supply

The Signatory Parties agree that the Company will work with NYSEG to evaluate the potential for shared sources of capacity and supply, including the use of CNG and LNG, in the North Country. Specifically, the Company will seek to develop a long-term (five year) strategic plan for meeting its forecasted requirements with the sources of capacity and supply needed to do so. The strategic plan will be submitted to the Secretary annually by May 1 of each year, beginning in 2017.

4. Balancing Provisions for Transportation Customers

The Signatory Parties agree to modify Maximum Day balancing service by setting tolerance bands and associated penalty rates in the calculation of the cost of gas. The Modifications are set forth in Appendix G.

5. Gas Network Enhancement Program

The Signatories agree on the following:

- a. The Company shall hire an additional employee to assist in establishing a gas network enhancement program, engage in marketing for conversions, and increase the Company's focus on potential conversion customers both within and beyond its current service territory.
- b. The Company shall implement a pilot program using a 15-year development period for its economic analysis

determinations of gas main line extensions and franchise expansions. The program shall allow the use of a 15-year period for the applicability of CIAC surcharges.

- c. The Company shall implement a strategic network implementation plan that provides a three year forecast of both line extension and franchise enhancement projects to be incorporated into the capital expenditure forecast. The plan shall include the needed gas infrastructure on a long-term basis. The initial plan shall be completed collaboratively with Staff and filed with the Secretary within three months of issuance of the rate order. The plan shall be updated annually and filed with the Secretary within 60 days of the approval of the capital budget.
- d. The Company shall revise its tariffs to provide for aggregation of customer entitlements both within and among residential and commercial service classes including aggregation of service line and main entitlements for an individual residential customer.

6. Conversion Performance Incentives

The Signatory Parties agree to institute a positive incentive mechanism for the Company to achieve a combined average residential and commercial (SC-1 and 2) customer growth of 1%. In accordance with rate year target levels shown in Appendix H, the Company shall receive additional revenue requirement equal to one basis point for every nine additional customers added above the forecast combined customer count average for residential and commercial customers up to a maximum of five basis points. Once the Company has added 45 additional customers, the Company shall then be entitled to additional revenue requirement equal to one basis

point for every five additional customers added to the rate year average for a maximum of five additional basis points. The total potential incentive for this mechanism is 10 basis points revenue requirement. Rate year targets for RY2, RY3 and beyond shall be adjusted on an annual basis to reflect the actual year end averages achieved from the preceding year plus one percent growth in the new rate year targets. This incentive shall exclude customer additions associated with the ongoing Franklin County franchise expansion project. This incentive shall continue until modified by the Commission.

7. Natural Gas Vehicles (NGV)

The Company will procure training for developing in-house knowledge of NGV. The Signatory Parties agree to provide a rate allowance of \$5,000 for this training. In collaboration with Staff, the Company will draft and issue a request for proposals (RFP) for a thorough study of the potential development of, and support for, NGV in the Company's service territory. The Company shall provide a report and recommendations based on the results of the RFP. The Company shall file this report with the Secretary within 12 months from the issuance of the rate order in this proceeding.

8. Capital Performance Incentive and Net Plant True-up

The downward only net-plant true-up will continue as currently in place. The Company, Staff and other interested parties will collaborate to develop a capital performance mechanism that incentivizes capital cost savings and shares those savings between customers and shareholders. The collaborative shall develop a report, describing the details of the mechanism and the portions of the Company's capital program to which the mechanism applies. The report will seek Commission approval of the mechanism. The

Company shall file the report with the Secretary within 180 days from the issuance of the rate order in this proceeding.

9. First Responder Communication and Training

To enhance communications with fire department first responders, the Signatory Parties agree to establish and conduct a program for first responder communication and training. In this connection, the Signatory Parties agree to the acquisition of two base station radios and accessories for the Emergency Operations Center for \$2,000 capital costs each.

The Signatory Parties also agree to include \$54,000 for improvements to the existing Emergency Operations Center, to be included in base rates (plant) over a three year period, with \$18,000 per year. As this is a capital expenditure, this amount is subject to the net-plant true-up. RY1 includes \$4,000 for radios in the total \$18,000 for that year. The Company will do one drill per year with Fire Department first responders, rotating among the three counties in the service territory; the sessions will be open to any employee/volunteer from any of the three counties for all drills. The Company will note which fire departments participated in training programs on its website.

10. Workforce Development Program

The Signatory Parties agree that the Company will perform outreach through job fairs, career days, and field work demonstrations at BOCES, etc., to increase interest/awareness of jobs in the natural gas industry and at local distribution companies. The Company will purchase “props” for demonstrations. The Company’s capital budget includes funding of \$10,000 over three years for props, for total funding of \$30,000.



11. Budgeting Process

The Signatory Parties agree that the Company shall develop a written procedure that shall be followed for variances and reallocations in capital project expenditure greater than 15%. The written procedures will be available to the Department and Commission upon request. Further, the Signatory Parties agree that the Company will bid all capital projects out on a unit cost basis and not as a complete project. The Company will develop these budgeting processes collaboratively with Staff. The first meeting of the Budgeting Process Collaborative shall be within 180 days of the date of the Commission's order setting rates in this proceeding.

12. Lost and Unaccounted For ("LAUF") Mechanism and Factor of Adjustment ("FOA")

The Company's current LAUF mechanism, adopted in Case 08-G-1392, will remain effective with a FOA percentage of 1.005 up to August 31, 2016.

Beginning September 1, 2016, the LAUF mechanism will be modified consistent with Appendix I. A new System Performance Mechanism will be implemented to surcharge or credit firm sales customers and delivery only customers any difference in gas commodity costs based on this reconciliation. The system performance adjustments will be reconciled on an annual basis. An example of the LAUF calculation is shown in Appendix I.

IX. GENERAL AND MISCELLANEOUS PROVISIONS

- A. The Signatory Parties agree that it is desirable for the Company to implement new rates in accordance with this Agreement as close to the original suspension date of June 1, 2016 as possible. However, in the event that a final order in this proceeding cannot be issued at a time to allow for

rate implementation in accordance with this Agreement on June 1, 2016, then the Company shall be “made whole” for any revenues lost as a result of such rate implementation occurring at some time later than June 1, 2016 (the “Lost Revenues”). To be “made whole” the Company will book an adjustment for revenues it would have received from customers for the period beginning on June 1, 2016 to the date the new tariff rates, as outlined in this Joint Proposal, are adopted by the Commission. Upon adoption, the Company will adjust its books to reflect revenue from new base rates, the SRS, the surcredits, the SBC credit and the interruptible sharing target change as if they had been in effect beginning June 1, 2016.

- B. It is understood that each provision of this Joint Proposal is in consideration and support of all the other provisions and each provision is expressly conditioned upon acceptance by the Commission of this Joint Proposal in its entirety without change. If the Commission fails to adopt this Joint Proposal according to its terms without change, then the Signatory Parties will be free to pursue their respective positions in this proceeding without prejudice.
- C. The terms and conditions of the Joint Proposal apply solely to, and are binding on each Signatory Party only in the context of the purposes and results of this Joint Proposal. None of the terms and provisions of this Joint Proposal, nor any methodology or principle utilized herein, and none of the positions taken herein by any Signatory Party may be referred to, cited or relied upon by any other Signatory Party in any fashion as precedent or in any other proceedings before the Commission, or any other regulatory agency, or before any court of law for any purpose except in furtherance of the purposes and results of the Joint Proposal and except as may be necessary in explaining derivation of specific costs or accounting treatments as relevant to future ratemaking proceedings.

- D. The Signatory Parties recognize that certain provisions of this Joint Proposal require that actions be taken in the future to effectuate fully this Joint Proposal. Accordingly, the Signatory Parties agree to cooperate with each other in good faith in taking such actions.
- E. Except as expressly stated herein, all provisions of this Joint Proposal will continue beyond the end of RY3 until changed by order of the Commission. For those provisions in this Joint Proposal that establish targets, the targets in effect in RY3 will apply to subsequent years.
- F. The Signatory Parties agree that St. Lawrence will file a cancellation of the proposed tariff leaves currently suspended through May 31, 2016<sup>12</sup> and file new tariff leaves in a manner consistent with any Commission orders regarding the terms of this Joint Proposal.
- G. Nothing herein precludes St. Lawrence from filing a new general rate case prior to May 31, 2019, for rates to be effective on or after June 1, 2019. Except pursuant to rate changes permitted by this section, the Company will not file gas rates to become effective prior to June 1, 2019. Nothing herein precludes St. Lawrence from filing a petition with the Commission regarding changes to cost recovery or rates associated with the Franklin County franchise expansion project, provided that no change is proposed to the Company's base rates. Changes to the Company's base delivery service rates during the term of the Gas Rate Plan will not be permitted, except for (a) changes provided for in this Proposal; and (b) subject to Commission approval, changes as a result of the following circumstances:
1. A minor change in any individual base delivery service rate or rates whose revenue effect is de minimis, or essentially offset by

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<sup>12</sup> Consistent with the Company's letters consenting to the extension of the maximum suspension period in this proceeding, the Commission may further extend the suspension period for the currently proposed tariff leaves.

associated changes within the same class. It is understood that, over time, such minor changes are routinely made and that they may continue to be sought during the term of the Rate Plans, provided they will not result in a change (other than a de minimis change) in the revenues that St. Lawrence's base delivery service rates are designed to produce overall before such changes.

2. If a circumstance occurs which, in the judgment of the Commission, so threatens St. Lawrence's economic viability or ability to maintain safe, reliable and adequate service as to warrant an exception to this undertaking, St. Lawrence will be permitted to file for an increase in base delivery service rates at any time under such circumstances.
3. The Signatory Parties recognize that the Commission reserves the authority to act on the level of St. Lawrence's gas rates in the event of unforeseen circumstances that, in the Commission's opinion, have such a substantial impact on the range of earnings levels or equity costs envisioned by these Rate Plans as to render St. Lawrence's gas rates unreasonable or insufficient for the provision of safe and adequate service at just and reasonable rates.
4. The Signatory Parties reserve the right to support or oppose any filings made by the Company under this Section.

H. In the event of any disagreement over the interpretation of this Joint Proposal or the implementation of any of the provisions of this Joint Proposal, which cannot be resolved informally among the Signatory Parties, such disagreement will be resolved as follows: the parties promptly will confer and in good faith will attempt to resolve such disagreement. If any such disagreement cannot be resolved within 15 business days from notification to a Signatory Party invoking this process, or a longer period if agreed to by the Signatory Parties, any Signatory Party may petition the Commission for a determination on the disputed matter.

- I. No provision of this Proposal or the Commission's adoption of the terms of this Joint Proposal shall in any way abrogate or limit the Commission's statutory authority under the Public Service Law. The Signatory Parties recognize that any Commission adoption of the terms of this Joint Proposal does not waive the Commission's ongoing rights and responsibilities to enforce its orders and effectuate the goals expressed therein, nor the rights and responsibilities of Staff to conduct investigations or take other actions in furtherance of its duties and responsibilities.
- J. This Joint Proposal is being executed in counterpart originals, and will be binding on each Signatory Party when the counterparts have been executed.
- K. Except for notices or filings to the Department of Public Service for which a recipient is otherwise specified in this Joint Proposal, all communications provided for herein or with reference to this Joint Proposal will be deemed to have been sufficiently given or served for all purposes if sent by overnight courier service, by hand or by facsimile, to the following addresses:

If to the Company:

St. Lawrence Gas Company, Inc.  
33 Stearns Street  
P.O. Box 270  
Massena, NY 13662  
Attn: Thomas A. Hannan, Finance and Regulatory Manager

and

Rich May, P.C.  
176 Federal Street  
Boston, MA 02110  
Attn: Eric J. Krathwohl, Esq.

If to Staff:

Secretary Kathleen H. Burgess  
NYS Department of Public Service  
Three Empire State Plaza  
Albany, NY 12223-1350

and

Brandon Goodrich, Esq.  
NYS Department of Public Service  
Three Empire State Plaza  
Albany, NY 12223-1350

If to Multiple Intervenors

Amanda De Vito Trinsey, Esq.  
Couch White, LLP  
P.O. Box 22222  
540 Broadway  
Albany, New York 12201-2222


or such other addresses as the parties may designate from time to time by notice given in accordance with the foregoing.

AGREED to this 12th day of April, 2016.

CASES 15-G-0382 & 13-G-0076

IN WITNESS WHEREOF, the Signatory Parties hereto have this day signed and executed this Joint Proposal.


ST. LAWRENCE GAS COMPANY, INC.

By:   
Eric J. Krathwohl, Esq.

Date: April 12, 2016

IN WITNESS WHEREOF, the Signatory Parties hereto have this day signed and executed this Joint Proposal.

NEW YORK STATE  
DEPARTMENT OF PUBLIC SERVICE

By:   
Brandon F. Goodrich, Staff Counsel

Date: April 12, 2016



IN WITNESS WHEREOF, the Signatory Parties hereto have this day signed and executed this Joint Proposal.

MULTIPLE INTERVENORS

By: *Amanda De Vito Trinsey, Esq.*  
Amanda De Vito Trinsey, Esq.

Date: 4-12-16

St Lawrence Gas Company  
Revenue Requirement  
For the Three Years Ended May 31, 2017  
Summary

Appendix A  
Page 1 of 17

|  | Settlement<br>Position<br>TME 5/31/17 | Settlement<br>Revenue<br>Increase | After<br>Revenue<br>TME 5/31/17 | Settlement<br>Adjustments | Settlement<br>Revenue<br>Increase | Settlement<br>Adjusted<br>TME 5/31/18 | Settlement<br>Adjustments | Settlement<br>Revenue<br>Increase | Settlement<br>Adjusted<br>TME 5/31/19 |
|--|---------------------------------------|-----------------------------------|---------------------------------|---------------------------|-----------------------------------|---------------------------------------|---------------------------|-----------------------------------|---------------------------------------|
| Net Revenues ( Rate inc. - Revenue Txs.) | \$ 14,114,664                         | \$ 480,137                        | \$ 14,594,801                   | \$ 47,852                 | \$ 430,498                        | \$ 15,073,152                         | \$ 55,042                 | \$ 304,248                        | \$ 15,432,442                         |
| Operating Expense                        | 9,264,096                             | 2,764                             | 9,266,861                       | 158,732                   | 2,479                             | 9,428,072                             | 170,171                   | 1,752                             | 9,599,995                             |
| Depreciation and Amortization            | 1,182,072                             |                                   | 1,182,072                       | 87,713                    |                                   | 1,269,785                             | 57,871                    |                                   | 1,327,656                             |
| Taxes Other Than Income Taxes            | 1,893,765                             |                                   | 1,893,765                       | 39,390                    |                                   | 1,933,155                             | 40,596                    |                                   | 1,973,752                             |
| Federal Income Taxes                     | (94,937)                              | 152,897                           | 57,960                          | (82,259)                  | 137,090                           | 112,791                               | (71,244)                  | 96,886                            | 138,434                               |
| Deferred FIT                             | 567,223                               |                                   | 567,223                         | -                         |                                   | 567,223                               |                           |                                   | 567,223                               |
| State Income Taxes                       | 78,916                                | 27,675                            | 106,591                         | (14,889)                  | 24,814                            | 116,516                               | (12,895)                  | 17,537                            | 121,157                               |
| Deferred SIT                             | 58,357                                |                                   | 58,357                          |                           |                                   | 58,357                                |                           |                                   | 58,357                                |
| Operating Income                         | \$ 1,165,171                          | \$ 296,801                        | \$ 1,461,972                    | \$ (140,835)              | \$ 266,116                        | \$ 1,587,252                          | \$ (129,457)              | \$ 188,073                        | \$ 1,645,869                          |
| Rate Base                                | \$ 26,698,472                         |                                   | \$ 26,698,472                   | \$ 2,463,804              |                                   | \$ 29,162,277                         | \$ 1,152,244              |                                   | \$ 30,314,521                         |
| Rate of Return                           | 4.36%                                 |                                   | 5.48%                           |                           |                                   | 5.44%                                 |                           |                                   | 5.43%                                 |
| Return on Equity                         | 6.68%                                 |                                   | 9.00%                           |                           |                                   | 9.00%                                 |                           |                                   | 9.00%                                 |

|                          | TME 5/31/17 |            | TME 5/31/18 |            | TME 5/31/19 |            |
|--------------------------|-------------|------------|-------------|------------|-------------|------------|
| <b>Revenue Increase</b>  | 100%        | \$ 484,987 | 100%        | \$ 434,847 | 100%        | \$ 307,322 |
| Revenue Taxes            | 1.00%       | 4,850      | 1.00%       | 4,348      | 1.00%       | 3,073      |
| Uncollectible Accounts   | 0.57%       | 2,764      | 0.57%       | 2,479      | 0.57%       | 1,752      |
| SIT                      | 6.50%       | 27,675     | 6.50%       | 24,814     | 6.50%       | 17,537     |
| effective (89.19 X 6.5%) |             |            |             |            |             |            |
| Federal Income Tax       | 34.00%      | 152,897    | 34.00%      | 137,090    | 34.00%      | 96,886     |
| Operating Income         |             | \$ 296,801 |             | \$ 266,116 |             | \$ 188,073 |

|                   | Settlement<br>Rate of Return<br>5/31/2017 |       |                  | Settlement<br>Rate of Return<br>5/31/2018 |       |                  | Settlement<br>Rate of Return<br>5/31/2019 |       |                  |
|-------------------|---|-------|------------------|---|-------|------------------|---|-------|------------------|
|                   | Ratios                                    | Cost  | Weighted<br>Cost | Ratios                                    | Cost  | Weighted<br>Cost | Ratios                                    | Cost  | Weighted<br>Cost |
| Long Term Debt    | 26.22%                                    | 2.98% | 0.78%            | 24.00%                                    | 2.98% | 0.72%            | 23.09%                                    | 2.98% | 0.69%            |
| Short Term Debt   | 24.16%                                    | 1.47% | 0.36%            | 26.51%                                    | 1.47% | 0.39%            | 27.48%                                    | 1.47% | 0.40%            |
| Customer Deposits | 1.62%                                     | 1.15% | 0.02%            | 1.49%                                     | 1.15% | 0.02%            | 1.43%                                     | 1.15% | 0.02%            |
| Common Equity     | 48.00%                                    | 9.00% | 4.32%            | 48.00%                                    | 9.00% | 4.32%            | 48.00%                                    | 9.00% | 4.32%            |
|                   | 100.00%                                   |       | 5.48%            | 100.00%                                   |       | 5.44%            | 100.00%                                   |       | 5.43%            |

St Lawrence Gas Company  
Income Statement and Rate of Return Computation  
For the Twelve Months Ended May 31, 2017  
2017 Revenue Requirement

|   | Inflation Rate<br>2.08% |                      |                           |                        |                        |                   | Inflation Rate<br>2.10% |                        |                                  |                              |                   |                        |                                  |                       |
|---|-------------------------|----------------------|---------------------------|------------------------|------------------------|-------------------|-------------------------|------------------------|----------------------------------|------------------------------|-------------------|------------------------|----------------------------------|-----------------------|
|   | Company<br>TME 5/31/17  | Staff<br>Adjustments | Settlement<br>Adjustments | Settlement<br>Position | Revenue<br>Requirement | At<br>TME 5/31/17 | R/Y 2<br>Adjus.         | R / Y 2<br>As Adjusted | R/ Y 2<br>Revenue<br>Requirement | R / Y 2<br>After<br>Increase | R / Y 3<br>Adjus. | R / Y 3<br>As adjusted | R/ Y 3<br>Revenue<br>Requirement | R/ Y 3<br>As<br>After |
| Operating Revenues                        |                         |                      |                           |                        |                        |                   |                         |                        |                                  |                              |                   |                        |                                  |                       |
| Residential , Commercial, Industrial      | \$31,014,084            | \$1,233,852          | \$ (795,192)              | \$ 31,452,744          | \$ 484,987             | \$ 31,937,731     | 47,852                  | 31,985,583             | \$ 434,847                       | 32,420,430                   | 55,042            | 32,475,472             | 307,322                          | 32,782,794            |
| Transportation Service Revenues           | 8,357,213               | (115,566)            | 62,587                    | 8,304,234              |                        | 8,304,234         |                         | 8,304,234              |                                  | 8,304,234                    |                   | 8,304,234              |                                  | 8,304,234             |
| Cogeneration Revenues                     | 184,810                 | -                    | -                         | 184,810                |                        | 184,810           |                         | 184,810                |                                  | 184,810                      |                   | 184,810                |                                  | 184,810               |
| Forfeited Discounts & Misc Svc Rev        | 708,558                 | 17,126               | (507,299)                 | 218,385                |                        | 218,385           |                         | 218,385                |                                  | 218,385                      |                   | 218,385                |                                  | 218,385               |
| Interruptible Sales                       | 1,217,513               | (2,873)              | 10,454                    | 1,225,094              |                        | 1,225,094         |                         | 1,225,094              |                                  | 1,225,094                    |                   | 1,225,094              |                                  | 1,225,094             |
| Total Operating Revenues                  | 41,482,178              | 1,132,539            | (1,229,450)               | 41,385,267             | 484,987                | 41,870,254        | 47,852                  | 41,918,106             | 434,847                          | 42,352,953                   | 55,042            | 42,407,995             | 307,322                          | 42,715,317            |
| Less: Gas Purchases                       | 27,255,200              | 323,791              | (723,693)                 | 26,855,298             |                        | 26,855,298        |                         | 26,855,298             |                                  | 26,855,298                   |                   | 26,855,298             |                                  | 26,855,298            |
| Revenue Taxes                             | 410,111                 | 32,844               | (27,650)                  | 415,305                | 4,850                  | 420,155           |                         | 420,155                | 4,348                            | 424,503                      |                   | 424,503                | 3,073                            | 427,577               |
| Net Revenues                              | 13,816,867              | 775,904              | (478,107)                 | 14,114,664             | 480,137                | 14,594,801        | 47,852                  | 14,642,653             | 430,498                          | 15,073,152                   | 55,042            | 15,128,194             | 304,248                          | 15,432,442            |
| Operating Expense                         |                         |                      |                           |                        |                        |                   |                         |                        |                                  |                              |                   |                        |                                  |                       |
| Direct Labor                              | 3,467,702               | (\$244,798)          | 182,800                   | 3,405,704              |                        | 3,405,704         | 70,839                  | 3,476,543              |                                  | 3,476,543                    | 73,007            | 3,549,550              |                                  | 3,549,550             |
| Payroll Reserve                           | 52,000                  | (\$52,000)           | 26,000                    | 26,000                 |                        | 26,000            | 10,000                  | 36,000                 |                                  | 36,000                       | 10,000            | 46,000                 |                                  | 46,000                |
| Oper-Mains & Services Exp                 | 666,865                 | (214,600)            |                           | 452,265                |                        | 452,265           | 9,407                   | 461,672                |                                  | 461,672                      | 9,695             | 471,367                |                                  | 471,367               |
| Oper-Cust Install Exp                     | 59,333                  |                      |                           | 59,333                 |                        | 59,333            | 1,234                   | 60,567                 |                                  | 60,567                       | 1,272             | 61,839                 |                                  | 61,839                |
| Oper-Meas. & Reg Station Exp.             | 49,542                  |                      |                           | 49,542                 |                        | 49,542            | 1,030                   | 50,572                 |                                  | 50,572                       | 1,062             | 51,634                 |                                  | 51,634                |
| Oper-Other Invoices                       | 175,313                 |                      |                           | 175,313                |                        | 175,313           | 3,647                   | 178,960                |                                  | 178,960                      | 3,758             | 182,718                |                                  | 182,718               |
| Maint-Maint of Mains                      | 116,960                 |                      |                           | 116,960                |                        | 116,960           | 2,433                   | 119,393                |                                  | 119,393                      | 2,507             | 121,900                |                                  | 121,900               |
| Maint-Other Invoices                      | 107,460                 |                      |                           | 107,460                |                        | 107,460           | 2,235                   | 109,695                |                                  | 109,695                      | 2,304             | 111,999                |                                  | 111,999               |
| Acct - Meter Reading Exp                  | 72,901                  |                      |                           | 72,901                 |                        | 72,901            | 1,516                   | 74,417                 |                                  | 74,417                       | 1,563             | 75,980                 |                                  | 75,980                |
| Billing & Collection Expenses             | 124,171                 |                      |                           | 124,171                |                        | 124,171           | 2,583                   | 126,754                |                                  | 126,754                      | 2,662             | 129,416                |                                  | 129,416               |
| Uncollectibles                            | 203,864                 | (55,014)             | 38,690                    | 187,540                | 2,764                  | 190,304           | -                       | 190,304                | 2,479                            | 192,783                      | -                 | 192,783                | 1,752                            | 194,535               |
| Amort of Uncollectibles - Case 08-G-1392  | (107,568)               |                      |                           | -                      |                        | -                 | -                       | -                      |                                  | 0                            | -                 | -                      |                                  | -                     |
| Acct-Other Invoices                       | 1,855                   |                      |                           | 1,855                  |                        | 1,855             | 39                      | 1,894                  |                                  | 1,894                        | 40                | 1,933                  |                                  | 1,933                 |
| Cust Rel - Informational Adv              | 6,227                   |                      |                           | 6,227                  |                        | 6,227             | 130                     | 6,357                  |                                  | 6,357                        | 133               | 6,490                  |                                  | 6,490                 |
| Cust Rel - Other Invoices                 | 25,891                  |                      |                           | 25,891                 |                        | 25,891            | 539                     | 26,430                 |                                  | 26,430                       | 555               | 26,985                 |                                  | 26,985                |
| Expenses - Promotional Adv                | 30,938                  |                      |                           | 30,938                 |                        | 30,938            | 644                     | 31,582                 |                                  | 31,582                       | 663               | 32,245                 |                                  | 32,245                |
| Office Supplies and Exp.                  | 106,220                 |                      |                           | 106,220                |                        | 106,220           | 2,209                   | 108,429                |                                  | 108,429                      | 2,277             | 110,706                |                                  | 110,706               |
| Admin Exp Transfer - Credit               | (22,374)                |                      |                           | (22,374)               |                        | (22,374)          | (465)                   | (22,839)               |                                  | (22,839)                     | (480)             | (23,319)               |                                  | (23,319)              |
| Outside Services                          | 1,008,950               | (414,955)            | 57,800                    | 651,795                |                        | 651,795           | 13,557                  | 665,352                |                                  | 665,352                      | 13,972            | 679,325                |                                  | 679,325               |
| Injuries & Damages                        | 91,232                  |                      |                           | 91,232                 |                        | 91,232            | 1,898                   | 93,130                 |                                  | 93,130                       | 1,956             | 95,085                 |                                  | 95,085                |
| Pensions                                  | 1,922,309               | (693,863)            | 76,100                    | 1,304,546              |                        | 1,304,546         | -                       | 1,304,546              |                                  | 1,304,546                    | -                 | 1,304,546              |                                  | 1,304,546             |
| Amort of Pension Deferral - Case 15-G-031 | -                       | 693,863              |                           | 693,863                |                        | 693,863           | -                       | 693,863                |                                  | 693,863                      | -                 | 693,863                |                                  | 693,863               |
| Supplemental Pension                      | 52,587                  |                      |                           | 52,587                 |                        | 52,587            | -                       | 52,587                 |                                  | 52,587                       | -                 | 52,587                 |                                  | 52,587                |
| Health Insurance                          | 430,185                 | 84,616               | 42,959                    | 557,760                |                        | 557,760           | 11,601                  | 569,361                |                                  | 569,361                      | 11,957            | 581,318                |                                  | 581,318               |
| Employee Benefits                         | 172,509                 |                      | 3,011                     | 175,520                |                        | 175,520           | 3,651                   | 179,171                |                                  | 179,171                      | 3,763             | 182,933                |                                  | 182,933               |
| OPEB's                                    | (456,431)               |                      | 678,162                   | 221,731                |                        | 221,731           | -                       | 221,731                |                                  | 221,731                      | -                 | 221,731                |                                  | 221,731               |
| Amort of OPEB's - Case 15-G-0382          | -                       | (678,162)            |                           | (678,162)              |                        | (678,162)         | -                       | (678,162)              |                                  | (678,162)                    | -                 | (678,162)              |                                  | (678,162)             |
| Other Employee Benefits                   | 17,003                  |                      |                           | 17,003                 |                        | 17,003            | 354                     | 17,357                 |                                  | 17,357                       | 364               | 17,721                 |                                  | 17,721                |
| Outreach and Education Expense            | -                       | (19,400)             | 19,400                    | -                      |                        | -                 | -                       | -                      |                                  | 0                            | -                 | -                      |                                  | -                     |
| Education Expenses                        | 6,392                   |                      |                           | 6,392                  |                        | 6,392             | 133                     | 6,525                  |                                  | 6,525                        | 137               | 6,662                  |                                  | 6,662                 |
| Regulatory Commission Exp                 | 586,214                 |                      | 8,200                     | 594,414                |                        | 594,414           | 12,364                  | 606,778                |                                  | 606,778                      | 12,742            | 619,520                |                                  | 619,520               |
| Amort of Reg. Comm. Exp. - Case 08-G-1:   | (27,192)                |                      | 27,192                    | -                      |                        | -                 | -                       | -                      |                                  | 0                            | -                 | -                      |                                  | 0                     |
| Advertising Goodwill Adv                  | 4,585                   |                      |                           | 4,585                  |                        | 4,585             | 95                      | 4,680                  |                                  | 4,680                        | 98                | 4,779                  |                                  | 4,779                 |
| Maint of general Plant                    | 241,670                 |                      |                           | 241,670                |                        | 241,670           | 5,027                   | 246,697                |                                  | 246,697                      | 5,181             | 251,877                |                                  | 251,877               |
| Low Income Assistance Program             | -                       | 283,920              |                           | 283,920                |                        | 283,920           | 5,906                   | 289,826                |                                  | 289,826                      | 6,086             | 295,912                |                                  | 295,912               |
| Other Expenses                            | 4,257                   | 10,000               | 96,168                    | 110,425                |                        | 110,425           | 2,297                   | 112,722                |                                  | 112,722                      | 2,367             | 115,089                |                                  | 115,089               |
| Inflation                                 | 79,400                  | 6,700                |                           | 68,900                 |                        | 68,900            | 1,433                   | 70,333                 |                                  | 70,333                       | 1,477             | 71,810                 |                                  | 71,810                |
| Amort of Rate Case Exp - Case 08-G-1392   | (75,926)                |                      |                           | 75,926                 |                        | 75,926            | -                       | 75,926                 |                                  | 75,926                       | -                 | 75,926                 |                                  | 75,926                |
| Amort of Rate Case Exp - Case 15-G-0382   | 83,333                  |                      |                           | (83,333)               |                        | -                 | -                       | -                      |                                  | 0                            | -                 | -                      |                                  | 0                     |
| Amort of Property Tax - Case 06-G-1471    | -                       | (35,017)             |                           | -                      |                        | -                 | -                       | -                      |                                  | 0                            | -                 | -                      |                                  | 0                     |
| Amort of Property Tax - Case 08-G-1392    | -                       | (231,612)            |                           | -                      |                        | -                 | -                       | -                      |                                  | 0                            | -                 | -                      |                                  | 0                     |
| Amort of Public Awareness and Safety Pro  | -                       | (28,451)             |                           | -                      |                        | -                 | -                       | -                      |                                  | 0                            | -                 | -                      |                                  | 0                     |
| Amortization of In-Line-Inspection        | -                       |                      |                           | -                      |                        | -                 | -                       | -                      |                                  | 0                            | -                 | -                      |                                  | 0                     |
| Amortization Billing System               | 6,681                   |                      | (6,681)                   | -                      |                        | -                 | (6,681)                 | (6,681)                |                                  | (6,681)                      |                   | (6,681)                |                                  | (6,681)               |
| Productivity                              | -                       | (56,982)             | (3,049)                   | (60,031)               |                        | (60,031)          | (920)                   | (60,950)               |                                  | (60,950)                     | (948)             | (61,899)               |                                  | (61,899)              |
|   | \$ 9,285,058            | \$ (967,593)         | \$ 946,631                | \$ 9,264,096           | \$ 2,764               | \$ 9,266,861      | \$ 158,732              | \$9,425,593            | \$ 2,479                         | \$ 9,428,072                 | \$ 170,171        | \$ 9,598,243           | \$ 1,752                         | \$ 9,599,995          |

St Lawrence Gas Company  
Income Statement and Rate of Return Computation  
For the Twelve Months Ended May 31, 2017, 2018 & 2019

|                                     | Company<br>TME 5/31/17 | Staff<br>Adjs  | Settlement<br>Adjustments | Settlement<br>Position | Revenue<br>Requirement | At<br>TME 5/31/17 | R/Y 2<br>Adjusts. | R/Y 2 as<br>Adjusted | R/Y 2<br>Revenue<br>Requirement | At<br>TME 5/31/18 | R/Y 3<br>Adjusts. | R/Y 3 as<br>Adjusted | R/Y 3<br>Revenue<br>Requirement | At<br>TME 5/31/19 |
|-------------------------------------|------------------------|----------------|---------------------------|------------------------|------------------------|-------------------|-------------------|----------------------|---------------------------------|-------------------|-------------------|----------------------|---------------------------------|-------------------|
| Depreciation Expense                | 1,160,300              | 161,040        | (153,268)                 | \$ 1,168,072           | \$ 1,168,072           |                   | 87,713            | 1,255,785            |                                 | \$ 1,255,785      | 57,871            | 1,313,656            |                                 | 1,313,656         |
| Amortization of Excess Reserve      | \$ 14,000              |                |                           | 14,000                 | 14,000                 |                   |                   | 14,000               |                                 | 14,000            |                   | 14,000               |                                 | 14,000            |
| Taxes Other Than Income Taxes       |                        |                |                           |                        |                        |                   |                   |                      |                                 |                   |                   |                      |                                 |                   |
| FICA                                | 251,816                | (17,175)       |                           | 234,641                | 234,641                |                   | 4,881             | 239,522              |                                 | 239,522           | 5,030             | 244,551              |                                 | 244,551           |
| Federal & State Unemployment        | 33,563                 |                |                           | 33,563                 | 33,563                 |                   | 698               | 34,261               |                                 | 34,261            | 719               | 34,981               |                                 | 34,981            |
| Property Taxes                      | 1,544,601              | 79,060         | 1,900                     | 1,625,561              | 1,625,561              |                   | 33,812            | 1,659,373            |                                 | 1,659,373         | 34,847            | 1,694,219            |                                 | 1,694,219         |
| Sales & Use                         | -                      |                |                           | -                      | -                      |                   | -                 | -                    |                                 | 0                 | -                 | -                    |                                 | -                 |
| Miscellaneous                       | -                      |                |                           | -                      | -                      |                   | -                 | -                    |                                 | 0                 | -                 | -                    |                                 | -                 |
| Total                               | 1,829,980              | 61,885         | 1,900                     | 1,893,765              | -                      | 1,893,765         | 39,390            | 1,933,155            | -                               | 1,933,155         | 40,596            | 1,973,752            | -                               | 1,973,752         |
| Federal Income Taxes                | (184,899)              | 505,655        | (415,693)                 | (94,937)               | 152,897                | 57,960            | (82,259)          | (24,299)             | 137,090                         | 112,791           | (71,244)          | 41,547               | 96,886                          | 138,434           |
| Deferred FIT Schedule (page 5)      | 567,223                | -              | -                         | 567,223                | -                      | 567,223           | -                 | 567,223              | -                               | 567,223           | -                 | 567,223              | -                               | 567,223           |
| Total                               | 382,324                | 505,655        | (415,693)                 | 472,286                | 152,897                | 625,183           | (82,259)          | 542,924              | 137,090                         | 680,014           | (71,244)          | 608,770              | 96,886                          | 705,657           |
| Investment Tax Credit               |                        |                |                           | -                      | -                      | -                 |                   | -                    |                                 | -                 |                   | -                    |                                 | -                 |
| State Income Taxes                  | 62,633                 | 91,525         | (75,242)                  | 78,916                 | 27,675                 | 106,591           | (14,889)          | 91,702               | 24,814                          | 116,516           | (12,895)          | 103,621              | 17,537                          | 121,157           |
| Deferred SIT Schedule (page 5)      | 58,357                 | -              | -                         | 58,357                 | -                      | 58,357            | -                 | 58,357               | -                               | 58,357            | -                 | 58,357               | -                               | 58,357            |
| Total                               | 120,990                | 91,525         | (75,242)                  | 137,273                | 27,675                 | 164,948           | (14,889)          | 150,059              | 24,814                          | 174,873           | (12,895)          | 161,978              | 17,537                          | 179,514           |
| Total Operating Revenues Deductions | 12,792,652             | (147,487)      | 304,328                   | 12,949,493             | 183,337                | 13,132,830        | 188,687           | 13,321,517           | 164,382                         | 13,485,899        | 184,499           | 13,670,399           | 116,175                         | 13,786,574        |
| Utility Operating Income            | \$ 1,024,215           | \$ 923,391     | \$ (782,435)              | \$ 1,165,171           | \$ 296,801             | \$ 1,461,972      | \$ (140,835)      | \$ 1,321,136         | \$ 266,116                      | \$ 1,587,252      | \$ (129,457)      | \$ 1,457,795         | \$ 188,073                      | \$ 1,645,869      |
| Rate Base                           | \$ 27,381,886          | \$ (2,802,989) | \$ 2,119,575              | \$ 26,698,472          | \$ 26,698,472          | \$ 26,698,472     | \$ 2,463,804      | \$ 29,162,277        | \$ 29,162,277                   | \$ 29,162,277     | \$ 1,152,244      | \$ 30,314,521        | \$ 30,314,521                   | \$ 30,314,521     |
| Rate of Return                      | 3.74%                  |                |                           | 4.36%                  |                        | 5.48%             |                   |                      |                                 | 5.44%             |                   |                      |                                 | 5.43%             |
| Return on Equity                    | 5.01%                  |                |                           | 6.68%                  |                        | 9.00%             |                   |                      |                                 | 9.00%             |                   |                      |                                 | 9.00%             |

St Lawrence Gas Company  
Income Statement and Rate of Return Computation  
For the Twelve Months Ended May 31, 2017, 2018 & 2019

Appendix A  
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|  | Company<br>TME 5/31/17 | Staff<br>Adjs     | Settlement<br>Adjustments | Settlement<br>Position | Revenue<br>Requirement | At<br>TME 5/31/17 | R/Y 2<br>Adjs.     | R/Y 2 as<br>Adjusted | R/Y 2<br>Revenue<br>Requirement | At<br>TME 5/31/18 | R/Y 3<br>Adjs.     | R/Y 3 as<br>Adjusted | R/Y 3<br>Revenue<br>Requirement | At<br>TME 5/31/19 |
|--|------------------------|-------------------|---------------------------|------------------------|------------------------|-------------------|--------------------|----------------------|---------------------------------|-------------------|--------------------|----------------------|---------------------------------|-------------------|
| Operating Income Before Income Taxes         | \$ 1,527,529           | \$ 1,520,572      | \$ (1,273,370)            | \$ 1,774,731           | \$ 477,373             | \$ 2,252,103      | \$ (237,984)       | \$ 2,014,120         | \$ 428,020                      | \$ 2,442,139      | \$ (213,596)       | \$ 2,228,543         | \$ 302,497                      | \$ 2,531,040      |
| Operating Income Adjustments:                |                        |                   |                           |                        |                        |                   |                    |                      |                                 |                   |                    |                      |                                 |                   |
| Interest Expense (page 6)                    | (342,273)              | 58,175            | (24,499)                  | (308,598)              |                        | (308,598)         | (18,844)           | (327,442)            |                                 | (327,442)         | (8,839)            | (336,281)            |                                 | (336,281)         |
| Meal & Entertainment                         | 1,865                  |                   |                           | 1,865                  |                        | 1,865             |                    | 1,865                |                                 | 1,865             |                    | 1,865                |                                 | 1,865             |
| Unbilled Revenue                             | (220,095)              |                   |                           | (220,095)              |                        | (220,095)         |                    | (220,095)            |                                 | (220,095)         |                    | (220,095)            |                                 | (220,095)         |
| Merchant Function Charge - 186.19            | (36,752)               |                   |                           | (36,752)               |                        | (36,752)          |                    | (36,752)             |                                 | (36,752)          |                    | (36,752)             |                                 | (36,752)          |
| Distribution Rate Adjustment - 186.39        | (2,840)                |                   |                           | (2,840)                |                        | (2,840)           |                    | (2,840)              |                                 | (2,840)           |                    | (2,840)              |                                 | (2,840)           |
| System Benefits Charge - 186.25              | (74,387)               |                   |                           | (74,387)               |                        | (74,387)          |                    | (74,387)             |                                 | (74,387)          |                    | (74,387)             |                                 | (74,387)          |
| Temporary State Assessment - 186.20          | (55,154)               |                   |                           | (55,154)               |                        | (55,154)          |                    | (55,154)             |                                 | (55,154)          |                    | (55,154)             |                                 | (55,154)          |
| Property Tax True-up - 186.33                | (127,668)              |                   |                           | (127,668)              |                        | (127,668)         |                    | (127,668)            |                                 | (127,668)         |                    | (127,668)            |                                 | (127,668)         |
| Low-Income Rate Adjustment - 186.37          | (27,924)               |                   |                           | (27,924)               |                        | (27,924)          |                    | (27,924)             |                                 | (27,924)          |                    | (27,924)             |                                 | (27,924)          |
| Revenue Decoupling Mechanism - 186.40        | 526,015                |                   |                           | 526,015                |                        | 526,015           |                    | 526,015              |                                 | 526,015           |                    | 526,015              |                                 | 526,015           |
| Interest Rate True-up - 186.40               | (311,892)              |                   |                           | (311,892)              |                        | (311,892)         |                    | (311,892)            |                                 | (311,892)         |                    | (311,892)            |                                 | (311,892)         |
| S&S Billing System Expense - 186.42          | 6,681                  |                   |                           | 6,681                  |                        | 6,681             |                    | 6,681                |                                 | 6,681             |                    | 6,681                |                                 | 6,681             |
| 2006 Uncollectible Expense - 186.34          | (107,568)              |                   |                           | (107,568)              |                        | (107,568)         |                    | (107,568)            |                                 | (107,568)         |                    | (107,568)            |                                 | (107,568)         |
| 2006 Carrying Costs on Gas in Storage 186.32 | (172,344)              |                   |                           | (172,344)              |                        | (172,344)         |                    | (172,344)            |                                 | (172,344)         |                    | (172,344)            |                                 | (172,344)         |
| 2006 PSC Regulatory Expense - 186.35         | (27,192)               |                   |                           | (27,192)               |                        | (27,192)          |                    | (27,192)             |                                 | (27,192)          |                    | (27,192)             |                                 | (27,192)          |
| 2006 Property Tax Expense - 186.36           | (35,016)               |                   |                           | (35,016)               |                        | (35,016)          |                    | (35,016)             |                                 | (35,016)          |                    | (35,016)             |                                 | (35,016)          |
| 2008 Rate Case Expense                       | (75,924)               |                   |                           | (75,924)               |                        | (75,924)          |                    | (75,924)             |                                 | (75,924)          |                    | (75,924)             |                                 | (75,924)          |
| 2015 Rate Case Expense                       | 83,328                 |                   |                           | 83,328                 |                        | 83,328            |                    | 83,328               |                                 | 83,328            |                    | 83,328               |                                 | 83,328            |
| Depreciation                                 | (2,095,094)            |                   |                           | (2,095,094)            |                        | (2,095,094)       |                    | (2,095,094)          |                                 | (2,095,094)       |                    | (2,095,094)          |                                 | (2,095,094)       |
| Self Insurance Reserve - 262, 262.01, 262.02 | 18                     |                   |                           | 18                     |                        | 18                |                    | 18                   |                                 | 18                |                    | 18                   |                                 | 18                |
| Worker Compensation                          | (74)                   |                   |                           | (74)                   |                        | (74)              |                    | (74)                 |                                 | (74)              |                    | (74)                 |                                 | (74)              |
| Bldg. Maint. Reserve - 265                   | 10,877                 |                   |                           | 10,877                 |                        | 10,877            |                    | 10,877               |                                 | 10,877            |                    | 10,877               |                                 | 10,877            |
| Pension - FASB 87                            | (230,265)              |                   |                           | (230,265)              |                        | (230,265)         |                    | (230,265)            |                                 | (230,265)         |                    | (230,265)            |                                 | (230,265)         |
| OPEB's - FASB 106                            | 753,963                |                   |                           | 753,963                |                        | 753,963           |                    | 753,963              |                                 | 753,963           |                    | 753,963              |                                 | 753,963           |
| 263A Uniform Capitalization                  | 264,124                |                   |                           | 264,124                |                        | 264,124           |                    | 264,124              |                                 | 264,124           |                    | 264,124              |                                 | 264,124           |
| Customer Advances for Construction -252      | (17,627)               |                   |                           | (17,627)               |                        | (17,627)          |                    | (17,627)             |                                 | (17,627)          |                    | (17,627)             |                                 | (17,627)          |
| Accrued Vacation -232.07                     | 3,674                  |                   |                           | 3,674                  |                        | 3,674             |                    | 3,674                |                                 | 3,674             |                    | 3,674                |                                 | 3,674             |
| CIAC Income                                  | 300,828                |                   |                           | 300,828                |                        | 300,828           |                    | 300,828              |                                 | 300,828           |                    | 300,828              |                                 | 300,828           |
| Total Operating Income Adjustments           | (2,008,716)            | 58,175            | (24,499)                  | (1,975,041)            | -                      | (1,975,041)       | (18,844)           | (1,993,885)          | -                               | (1,993,885)       | (8,839)            | (2,002,724)          | -                               | (2,002,724)       |
| Taxable Income                               | (481,187)              | 1,578,747         | (1,297,870)               | (200,310)              | 477,373                | 277,063           | (256,828)          | 20,235               | 428,020                         | 448,254           | (222,436)          | 225,819              | 302,497                         | 528,315           |
| SIT Deduction                                | 62,633                 | 91,525            | (75,242)                  | 78,916                 | 27,675                 | 106,591           | (14,889)           | 91,702               | 24,814                          | 116,516           | (12,895)           | 103,621              | 17,537                          | 121,157           |
| Tax Depreciation & TRA-86                    | -                      |                   |                           | -                      |                        | -                 |                    | -                    |                                 | -                 |                    | -                    |                                 | -                 |
| Income subject to Federal Income Tax         | (543,820)              | 1,487,221         | (1,222,628)               | (279,227)              | 449,698                | 170,471           | (241,939)          | (71,468)             | 403,206                         | 331,738           | (209,540)          | 122,198              | 284,960                         | 407,158           |
| Federal Income Tax @ 34%                     | (184,899)              | 505,655           | (415,693)                 | (94,937)               | 152,897                | 57,960            | (82,259)           | (24,299)             | 137,090                         | 112,791           | (71,244)           | 41,547               | 96,886                          | 138,434           |
| Specific Exemption                           | -                      |                   |                           | -                      |                        | -                 |                    | -                    |                                 | -                 |                    | -                    |                                 | -                 |
| Investment Tax Credit                        | -                      |                   |                           | -                      |                        | -                 |                    | -                    |                                 | -                 |                    | -                    |                                 | -                 |
| Federal Income Tax                           | <u>\$ (184,899)</u>    | <u>\$ 505,655</u> | <u>\$ (415,693)</u>       | <u>\$ (94,937)</u>     | <u>\$ 152,897</u>      | <u>\$ 57,960</u>  | <u>\$ (82,259)</u> | <u>\$ (24,299)</u>   | <u>\$ 137,090</u>               | <u>\$ 112,791</u> | <u>\$ (71,244)</u> | <u>\$ 41,547</u>     | <u>\$ 96,886</u>                | <u>\$ 138,434</u> |

St Lawrence Gas Company  
Income Statement and Rate of Return Computation  
For the Twelve Months Ended May 31, 2017, 2018 & 2019

|   | Company<br>TME 5/31/17 | Staff<br>Adjs | Settlement<br>Adjustments | Settlement<br>Position | Revenue<br>Requirement | At<br>TME 5/31/17 | R/Y 2<br>Adjusts. | R/Y 2 as<br>Adjusted | R/Y 2<br>Revenue<br>Requirement | At<br>TME 5/31/18 | R/Y 3<br>Adjusts. | R/Y 3 as<br>Adjusted | R/Y 3<br>Revenue<br>Requirement | At<br>TME 5/31/19 |
|---|------------------------|---------------|---------------------------|------------------------|------------------------|-------------------|-------------------|----------------------|---------------------------------|-------------------|-------------------|----------------------|---------------------------------|-------------------|
| Operating Income Before Income Taxes          | \$ 1,527,529           | \$ 1,520,572  | \$ (1,273,370)            | \$ 1,774,731           | \$ 477,373             | \$ 2,252,103      | \$ (237,984)      | \$ 2,014,120         | \$ 428,020                      | \$ 2,442,139      | \$ (213,596)      | \$ 2,228,543         | \$ 302,497                      | \$ 2,531,040      |
| Operating Income Adjustments:                 |                        |               |                           |                        |                        |                   |                   |                      |                                 |                   |                   |                      |                                 |                   |
| Interest Expense (page 6)                     | (342,273)              | 58,175        | (24,499)                  | (308,598)              |                        | (308,598)         | (18,844)          | (327,442)            |                                 | (327,442)         | (8,839)           | (336,281)            |                                 | (336,281)         |
| Unbilled Revenue                              | (220,095)              |               |                           | (220,095)              |                        | (220,095)         |                   | (220,095)            |                                 | (220,095)         |                   | (220,095)            |                                 | (220,095)         |
| Merchant Function Charge - 186.19             | (36,752)               |               |                           | (36,752)               |                        | (36,752)          |                   | (36,752)             |                                 | (36,752)          |                   | (36,752)             |                                 | (36,752)          |
| Distribution Rate Adjustment - 186.39         | (2,840)                |               |                           | (2,840)                |                        | (2,840)           |                   | (2,840)              |                                 | (2,840)           |                   | (2,840)              |                                 | (2,840)           |
| System Benefits Charge - 186.25               | (74,387)               |               |                           | (74,387)               |                        | (74,387)          |                   | (74,387)             |                                 | (74,387)          |                   | (74,387)             |                                 | (74,387)          |
| Temporary State Assessment - 186.20           | (55,154)               |               |                           | (55,154)               |                        | (55,154)          |                   | (55,154)             |                                 | (55,154)          |                   | (55,154)             |                                 | (55,154)          |
| Property Tax True-up - 186.33                 | (127,668)              |               |                           | (127,668)              |                        | (127,668)         |                   | (127,668)            |                                 | (127,668)         |                   | (127,668)            |                                 | (127,668)         |
| Low-Income Rate Adjustment - 186.37           | (27,924)               |               |                           | (27,924)               |                        | (27,924)          |                   | (27,924)             |                                 | (27,924)          |                   | (27,924)             |                                 | (27,924)          |
| Revenue Decoupling Mechanism - 186.40         | 526,015                |               |                           | 526,015                |                        | 526,015           |                   | 526,015              |                                 | 526,015           |                   | 526,015              |                                 | 526,015           |
| Interest Rate True-up - 186.40                | (311,892)              |               |                           | (311,892)              |                        | (311,892)         |                   | (311,892)            |                                 | (311,892)         |                   | (311,892)            |                                 | (311,892)         |
| S&S Billing System Expense - 186.42           | 6,681                  |               |                           | 6,681                  |                        | 6,681             |                   | 6,681                |                                 | 6,681             |                   | 6,681                |                                 | 6,681             |
| 2006 Uncollectible Expense - 186.34           | (107,568)              |               |                           | (107,568)              |                        | (107,568)         |                   | (107,568)            |                                 | (107,568)         |                   | (107,568)            |                                 | (107,568)         |
| 2006 Carrying Costs on Gas in Storage 186.32  | (172,344)              |               |                           | (172,344)              |                        | (172,344)         |                   | (172,344)            |                                 | (172,344)         |                   | (172,344)            |                                 | (172,344)         |
| 2006 PSC Regulatory Expense - 186.35          | (27,192)               |               |                           | (27,192)               |                        | (27,192)          |                   | (27,192)             |                                 | (27,192)          |                   | (27,192)             |                                 | (27,192)          |
| 2006 Property Tax Expense - 186.36            | (35,016)               |               |                           | (35,016)               |                        | (35,016)          |                   | (35,016)             |                                 | (35,016)          |                   | (35,016)             |                                 | (35,016)          |
| 2008 Rate Case Expense                        | (75,924)               |               |                           | (75,924)               |                        | (75,924)          |                   | (75,924)             |                                 | (75,924)          |                   | (75,924)             |                                 | (75,924)          |
| 2015 Rate Case Expense                        | 83,328                 |               |                           | 83,328                 |                        | 83,328            |                   | 83,328               |                                 | 83,328            |                   | 83,328               |                                 | 83,328            |
| Depreciation                                  | (1,324,597)            |               |                           | (1,324,597)            |                        | (1,324,597)       |                   | (1,324,597)          |                                 | (1,324,597)       |                   | (1,324,597)          |                                 | (1,324,597)       |
| Self Insurance Reserve - 262, 262.01, 262.02  | 18                     |               |                           | 18                     |                        | 18                |                   | 18                   |                                 | 18                |                   | 18                   |                                 | 18                |
| Worker Compensation                           | (74)                   |               |                           | (74)                   |                        | (74)              |                   | (74)                 |                                 | (74)              |                   | (74)                 |                                 | (74)              |
| Bldg. Maint. Reserve - 265                    | 10,877                 |               |                           | 10,877                 |                        | 10,877            |                   | 10,877               |                                 | 10,877            |                   | 10,877               |                                 | 10,877            |
| Pension - FASB 87                             | (230,265)              |               |                           | (230,265)              |                        | (230,265)         |                   | (230,265)            |                                 | (230,265)         |                   | (230,265)            |                                 | (230,265)         |
| OPEB's - FASB 106                             | 753,963                |               |                           | 753,963                |                        | 753,963           |                   | 753,963              |                                 | 753,963           |                   | 753,963              |                                 | 753,963           |
| 263A Uniform Capitalization                   | 264,124                |               |                           | 264,124                |                        | 264,124           |                   | 264,124              |                                 | 264,124           |                   | 264,124              |                                 | 264,124           |
| Customer Advances for Construction -252       | (17,627)               |               |                           | (17,627)               |                        | (17,627)          |                   | (17,627)             |                                 | (17,627)          |                   | (17,627)             |                                 | (17,627)          |
| Accrued Vacation -232.07                      | 3,674                  |               |                           | 3,674                  |                        | 3,674             |                   | 3,674                |                                 | 3,674             |                   | 3,674                |                                 | 3,674             |
| CIAC Income                                   | 300,828                |               |                           | 300,828                |                        | 300,828           |                   | 300,828              |                                 | 300,828           |                   | 300,828              |                                 | 300,828           |
| Total Operating Income Adjustments            | (1,240,084)            | 58,175        | (24,499)                  | (1,206,409)            | -                      | (1,206,409)       | (18,844)          | (1,225,253)          | -                               | (1,225,253)       | (8,839)           | (1,234,092)          | -                               | (1,234,092)       |
| State Adjustments:                            |                        |               |                           |                        |                        |                   |                   |                      |                                 |                   |                   |                      |                                 |                   |
| Add-back Federal Depreciation                 | 814,350                |               |                           | 814,350                |                        | 814,350           |                   | 814,350              |                                 | 814,350           |                   | 814,350              |                                 | 814,350           |
| Subtract GAAP Depreciation                    | (703,702)              |               |                           | (703,702)              |                        | (703,702)         |                   | (703,702)            |                                 | (703,702)         |                   | (703,702)            |                                 | (703,702)         |
| Back-out tax gain on disposal (salvage proce) | (550)                  |               |                           | (550)                  |                        | (550)             |                   | (550)                |                                 | (550)             |                   | (550)                |                                 | (550)             |
| Back-out loss on retirement expense for trans | 57,296                 |               |                           | 57,296                 |                        | 57,296            |                   | 57,296               |                                 | 57,296            |                   | 57,296               |                                 | 57,296            |
| Bonus Depreciation Adjustments:               |                        |               |                           |                        |                        |                   |                   |                      |                                 |                   |                   |                      |                                 |                   |
| Add-back Federal Bonus and MACRS on bo        | 2,742,434              |               |                           | 2,742,434              |                        | 2,742,434         |                   | 2,742,434            |                                 | 2,742,434         |                   | 2,742,434            |                                 | 2,742,434         |
| Subtract Allowable NYS Depreciation           | (2,116,899)            |               |                           | (2,116,899)            |                        | (2,116,899)       |                   | (2,116,899)          |                                 | (2,116,899)       |                   | (2,116,899)          |                                 | (2,116,899)       |
| Taxable Income                                | 1,080,374              | 1,578,747     | (1,297,870)               | 1,361,251              | 477,373                | 1,838,624         | (256,828)         | 1,581,796            | 428,020                         | 2,009,815         | (222,436)         | 1,787,380            | 302,497                         | 2,089,876         |
| Apportionment                                 | 89.19%                 | 89.19%        | 89.19%                    | 89.19%                 | 89.19%                 | 89.19%            | 89.19%            | 89.19%               | 89.19%                          | 89.19%            | 89.19%            | 89.19%               | 89.19%                          | 89.19%            |
| Apportioned NYS Taxable Income                | 963,586                | 1,408,084     | (1,157,570)               | 1,214,100              | 425,769                | 1,639,868         | (229,065)         | 1,410,803            | 381,751                         | 1,792,554         | (198,390)         | 1,594,164            | 269,797                         | 1,863,961         |
| State Income tax @ 6.50%                      | 62,633                 | 91,525        | (75,242)                  | 78,916                 | 27,675                 | 106,591           | (14,889)          | 91,702               | 24,814                          | 116,516           | (12,895)          | 103,621              | 17,537                          | 121,157           |

St Lawrence Gas Company  
Income Statement and Rate of Return Computation  
For the Twelve Months Ended May 31, 2017, 2018 & 2019  
Deferred FIT & SIT

|  | Company<br>TME 5/31/17 | Staff<br>Adjs | Settlement<br>Adjustments | At<br>TME 5/31/17 | R/Y 2<br>Adjusts. | R/Y 2 as<br>Adjusted | R/Y 2<br>Revenue<br>Requirement | At<br>TME 5/31/18 | R/Y 3<br>Adjusts. | R/Y 3 as<br>Adjusted | R/Y 3<br>Revenue<br>Requirement | At<br>TME 5/31/19 |
|--|------------------------|---------------|---------------------------|-------------------|-------------------|----------------------|---------------------------------|-------------------|-------------------|----------------------|---------------------------------|-------------------|
| <b>Deferred Federal Income Taxes</b>       |                        |               |                           |                   |                   |                      |                                 |                   |                   |                      |                                 |                   |
| Unbilled Revenue                           | 74,832                 |               |                           | 74,832            |                   | 74,832               |                                 | 74,832            |                   | 74,832               |                                 | 74,832            |
| Merchant Function Charge - 186.19          | 12,496                 |               |                           | 12,496            |                   | 12,496               |                                 | 12,496            |                   | 12,496               |                                 | 12,496            |
| Distribution Rate Adjustment - 186.39      | 966                    |               |                           | 966               |                   | 966                  |                                 | 966               |                   | 966                  |                                 | 966               |
| System Benefits Charge - 186.25            | 25,292                 |               |                           | 25,292            |                   | 25,292               |                                 | 25,292            |                   | 25,292               |                                 | 25,292            |
| Temporary State Assessment - 186.20        | 18,752                 |               |                           | 18,752            |                   | 18,752               |                                 | 18,752            |                   | 18,752               |                                 | 18,752            |
| Property Tax True-Up - 186.33              | 43,407                 |               |                           | 43,407            |                   | 43,407               |                                 | 43,407            |                   | 43,407               |                                 | 43,407            |
| Low-Income Rate Adjustment - 186.37        | 9,494                  |               |                           | 9,494             |                   | 9,494                |                                 | 9,494             |                   | 9,494                |                                 | 9,494             |
| Revenue Decoupling Mechanism - 186.40      | (178,845)              |               |                           | (178,845)         |                   | (178,845)            |                                 | (178,845)         |                   | (178,845)            |                                 | (178,845)         |
| Interest Rate True-up - 186.40             | 106,043                |               |                           | 106,043           |                   | 106,043              |                                 | 106,043           |                   | 106,043              |                                 | 106,043           |
| S&S Billing System Expense - 186.42        | (2,272)                |               |                           | (2,272)           |                   | (2,272)              |                                 | (2,272)           |                   | (2,272)              |                                 | (2,272)           |
| 2006 Uncollectible Expense - 186.34        | 36,573                 |               |                           | 36,573            |                   | 36,573               |                                 | 36,573            |                   | 36,573               |                                 | 36,573            |
| 2006 Carrying Costs on Gas in Storage 186  | 58,597                 |               |                           | 58,597            |                   | 58,597               |                                 | 58,597            |                   | 58,597               |                                 | 58,597            |
| 2006 PSC Regulatory Expense - 186.35       | 9,245                  |               |                           | 9,245             |                   | 9,245                |                                 | 9,245             |                   | 9,245                |                                 | 9,245             |
| 2006 Property Tax Expense - 186.36         | 11,905                 |               |                           | 11,905            |                   | 11,905               |                                 | 11,905            |                   | 11,905               |                                 | 11,905            |
| 2008 Rate Case Expense                     | 25,814                 |               |                           | 25,814            |                   | 25,814               |                                 | 25,814            |                   | 25,814               |                                 | 25,814            |
| 2015 Rate Case Expense                     | (28,332)               |               |                           | (28,332)          |                   | (28,332)             |                                 | (28,332)          |                   | (28,332)             |                                 | (28,332)          |
| Depreciation                               | 712,332                |               |                           | 712,332           |                   | 712,332              |                                 | 712,332           |                   | 712,332              |                                 | 712,332           |
| Self Insurance Reserve -262, 262.01        | (6)                    |               |                           | (6)               |                   | (6)                  |                                 | (6)               |                   | (6)                  |                                 | (6)               |
| Workers Compensation                       | 25                     |               |                           | 25                |                   | 25                   |                                 | 25                |                   | 25                   |                                 | 25                |
| Bldg. Maint. Reserve - 265                 | (3,698)                |               |                           | (3,698)           |                   | (3,698)              |                                 | (3,698)           |                   | (3,698)              |                                 | (3,698)           |
| Pension - FASB 87                          | 78,290                 |               |                           | 78,290            |                   | 78,290               |                                 | 78,290            |                   | 78,290               |                                 | 78,290            |
| OPEB's - FASB 106                          | (256,347)              |               |                           | (256,347)         |                   | (256,347)            |                                 | (256,347)         |                   | (256,347)            |                                 | (256,347)         |
| 263A Uniform Capitalization                | (89,802)               |               |                           | (89,802)          |                   | (89,802)             |                                 | (89,802)          |                   | (89,802)             |                                 | (89,802)          |
| Customer Advances for Construction -252    | 5,993                  |               |                           | 5,993             |                   | 5,993                |                                 | 5,993             |                   | 5,993                |                                 | 5,993             |
| Accrued Vacation -232.07                   | (1,249)                |               |                           | (1,249)           |                   | (1,249)              |                                 | (1,249)           |                   | (1,249)              |                                 | (1,249)           |
| CIAC Income                                | (102,282)              |               |                           | (102,282)         |                   | (102,282)            |                                 | (102,282)         |                   | (102,282)            |                                 | (102,282)         |
| <b>Total Deferred Federal Income Taxes</b> | <b>567,223</b>         | <b>-</b>      | <b>-</b>                  | <b>567,223</b>    | <b>-</b>          | <b>567,223</b>       | <b>-</b>                        | <b>567,223</b>    | <b>-</b>          | <b>567,223</b>       | <b>-</b>                        | <b>567,223</b>    |

|   | Company<br>TME 5/31/17 | Staff<br>Adjs | Settlement<br>Adjustments | At<br>TME 5/31/17 | R/Y 2<br>Adjusts. | R/Y 2 as<br>Adjusted | R/Y 2<br>Revenue<br>Requirement | At<br>TME 5/31/18 | R/Y 3<br>Adjusts. | R/Y 3 as<br>Adjusted | R/Y 3<br>Revenue<br>Requirement | At<br>TME 5/31/19 |
|---|------------------------|---------------|---------------------------|-------------------|-------------------|----------------------|---------------------------------|-------------------|-------------------|----------------------|---------------------------------|-------------------|
| <b>Deferred State Income Taxes</b>        |                        |               |                           |                   |                   |                      |                                 |                   |                   |                      |                                 |                   |
| Unbilled Revenue                          | 14,306                 |               |                           | 14,306            |                   | 14,306               |                                 | 14,306            |                   | 14,306               |                                 | 14,306            |
| Merchant Function Charge - 186.19         | 2,389                  |               |                           | 2,389             |                   | 2,389                |                                 | 2,389             |                   | 2,389                |                                 | 2,389             |
| Distribution Rate Adjustment - 186.93     | 185                    |               |                           | 185               |                   | 185                  |                                 | 185               |                   | 185                  |                                 | 185               |
| System Benefits Charge - 186.25           | 4,835                  |               |                           | 4,835             |                   | 4,835                |                                 | 4,835             |                   | 4,835                |                                 | 4,835             |
| Temporary State Assessment - 186.20       | 3,585                  |               |                           | 3,585             |                   | 3,585                |                                 | 3,585             |                   | 3,585                |                                 | 3,585             |
| Property Tax True-Up - 186.33             | 8,298                  |               |                           | 8,298             |                   | 8,298                |                                 | 8,298             |                   | 8,298                |                                 | 8,298             |
| Low-Income Rate Adjustment - 186.37       | 1,815                  |               |                           | 1,815             |                   | 1,815                |                                 | 1,815             |                   | 1,815                |                                 | 1,815             |
| Revenue Decoupling Mechanism - 186.40     | (34,191)               |               |                           | (34,191)          |                   | (34,191)             |                                 | (34,191)          |                   | (34,191)             |                                 | (34,191)          |
| Interest Rate True-Up - 186.40            | 20,273                 |               |                           | 20,273            |                   | 20,273               |                                 | 20,273            |                   | 20,273               |                                 | 20,273            |
| S&S Billing System Expense - 186.42       | (434)                  |               |                           | (434)             |                   | (434)                |                                 | (434)             |                   | (434)                |                                 | (434)             |
| 2006 Uncollectible Expense - 186.34       | 6,992                  |               |                           | 6,992             |                   | 6,992                |                                 | 6,992             |                   | 6,992                |                                 | 6,992             |
| 2006 Carrying Costs on Gas in Storage 186 | 11,202                 |               |                           | 11,202            |                   | 11,202               |                                 | 11,202            |                   | 11,202               |                                 | 11,202            |
| 2006 PSC Regulatory Expense - 186.35      | 1,767                  |               |                           | 1,767             |                   | 1,767                |                                 | 1,767             |                   | 1,767                |                                 | 1,767             |
| 2006 Property Tax Expense - 186.36        | 2,276                  |               |                           | 2,276             |                   | 2,276                |                                 | 2,276             |                   | 2,276                |                                 | 2,276             |
| 2008 Rate Case Expense                    | 4,935                  |               |                           | 4,935             |                   | 4,935                |                                 | 4,935             |                   | 4,935                |                                 | 4,935             |
| 2015 Rate Case Expense                    | (5,416)                |               |                           | (5,416)           |                   | (5,416)              |                                 | (5,416)           |                   | (5,416)              |                                 | (5,416)           |
| Depreciation                              | 86,099                 |               |                           | 86,099            |                   | 86,099               |                                 | 86,099            |                   | 86,099               |                                 | 86,099            |
| Self Insurance Reserve -262, 262.01       | (1)                    |               |                           | (1)               |                   | (1)                  |                                 | (1)               |                   | (1)                  |                                 | (1)               |
| Worker's Compensation                     | 5                      |               |                           | 5                 |                   | 5                    |                                 | 5                 |                   | 5                    |                                 | 5                 |
| Bldg. Maint. Reserve - 265                | (707)                  |               |                           | (707)             |                   | (707)                |                                 | (707)             |                   | (707)                |                                 | (707)             |
| Pension - FASB 87                         | 14,967                 |               |                           | 14,967            |                   | 14,967               |                                 | 14,967            |                   | 14,967               |                                 | 14,967            |
| OPEB's - FASB 106                         | (49,008)               |               |                           | (49,008)          |                   | (49,008)             |                                 | (49,008)          |                   | (49,008)             |                                 | (49,008)          |
| 263A Uniform Capitalization               | (17,168)               |               |                           | (17,168)          |                   | (17,168)             |                                 | (17,168)          |                   | (17,168)             |                                 | (17,168)          |
| Customer Advances for Construction -252   | 1,146                  |               |                           | 1,146             |                   | 1,146                |                                 | 1,146             |                   | 1,146                |                                 | 1,146             |
| Accrued Vacation -232.07                  | (239)                  |               |                           | (239)             |                   | (239)                |                                 | (239)             |                   | (239)                |                                 | (239)             |
| CIAC Income                               | (19,554)               |               |                           | (19,554)          |                   | (19,554)             |                                 | (19,554)          |                   | (19,554)             |                                 | (19,554)          |
| <b>Total Deferred State Income Taxes</b>  | <b>58,357</b>          | <b>-</b>      | <b>-</b>                  | <b>58,357</b>     | <b>-</b>          | <b>58,357</b>        | <b>-</b>                        | <b>58,357</b>     | <b>-</b>          | <b>58,357</b>        | <b>-</b>                        | <b>58,357</b>     |

**St Lawrence Gas Company**  
**Income Statement and Rate of Return Computation**  
**For the Twelve Months Ended May 31, 2017, 2018 & 2019**  
**Interest Deduction**

**Appendix A**  
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|                          | <u>Company</u><br><u>TME 5/31/17</u> | <u>Staff</u><br><u>TME 5/31/17</u> | <u>Settlement</u><br><u>TME 5/31/17</u> | <u>Settlement</u><br><u>TME 5/31/18</u> | <u>Settlement</u><br><u>TME 5/31/19</u> |
|--------------------------|--------------------------------------|------------------------------------|---|---|---|
| Adjusted Rate Base       | \$ 27,381,886                        | \$ 24,578,897                      | \$ 26,698,472                           | \$ 29,162,277                           | \$ 30,314,521                           |
| Interest Bearing CWIP    | <u>0</u>                             | <u>0</u>                           | <u>0</u>                                | <u>0</u>                                | <u>0</u>                                |
| Total                    | 27,381,886                           | 24,578,897                         | 26,698,472                              | 29,162,277                              | 30,314,521                              |
| Cost Component           | <u>1.25%</u>                         | <u>1.16%</u>                       | <u>1.16%</u>                            | <u>1.12%</u>                            | <u>1.11%</u>                            |
| Interest Deduction       | <u>\$ 342,274</u>                    | <u>\$ 284,098</u>                  | <u>\$ 308,598</u>                       | <u>\$ 327,442</u>                       | <u>\$ 336,281</u>                       |
| <br>(1) Debt Component   |                                      |                                    |   |   |   |
| Long term                | 0.60%                                | 0.78%                              | 0.78%                                   | 0.72%                                   | 0.69%                                   |
| Short Term Debt          | 0.63%                                | 0.36%                              | 0.36%                                   | 0.39%                                   | 0.40%                                   |
| Customers Deposits       | <u>0.02%</u>                         | <u>0.02%</u>                       | <u>0.02%</u>                            | <u>0.02%</u>                            | <u>0.02%</u>                            |
| Total                    | <u>1.25%</u>                         | <u>1.16%</u>                       | <u>1.16%</u>                            | <u>1.12%</u>                            | <u>1.11%</u>                            |
| Total Interest Deduction |                                      |                                    | \$ 308,598                              | \$ 327,442                              | \$ 336,281                              |



St Lawrence Gas Company  
Income Statement and Rate of Return Computation  
For the Twelve Months Ended May 31, 2017, 2018 & 2019

|   | Company<br>TME 5/31/17 | Staff<br>Adjs         | Settlement<br>Adjustments | At<br>TME 5/31/17    | Settlement<br>Adjustments | At<br>TME 5/31/18    | Settlement<br>Adjustments | At<br>TME 5/31/19    |
|---|------------------------|-----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
| Gas Plant In Service                      | \$58,884,882           | (\$1,618,585)         | \$ 2,212,850              | \$ 59,479,147        | \$ 2,765,315              | 62,244,462           | \$ 1,776,581              | 64,021,043           |
| Depreciation Reserve                      | (28,891,118)           | 391,868               | (276,385)                 | (28,775,635)         | (821,154)                 | (29,596,789)         | (1,131,428)               | (30,728,217)         |
| Net Plant                                 | 29,993,764             | (1,226,717)           | 1,936,465                 | 30,703,512           | 1,944,161                 | 32,647,673           | 645,153                   | 33,292,826           |
| Working Capital                           |                        |                       |                           |                      |                           |                      |                           |                      |
| Gas Storage Inventory                     | -                      | -                     |                           | -                    | -                         | -                    | -                         | -                    |
| Prepayments                               | 991,165                | -                     |                           | 991,165              | 20,616                    | 1,011,781            | 21,247                    | 1,033,029            |
| Materials & Supplies                      | 365,000                | -                     |                           | 365,000              | 7,592                     | 372,592              | 7,824                     | 380,416              |
| Operating & Maintenance Expense           | 1,220,734              | (317,476)             | 55,410                    | 958,668              | 20,331                    | 978,999              | 20,962                    | 999,961              |
| Total Working Capital                     | 2,576,899              | (317,476)             | 55,410                    | 2,314,833            | 48,539                    | 2,363,373            | 50,033                    | 2,413,406            |
| Accumulated Deferred SIT & FIT            | (2,070,027)            | -                     |                           | (2,070,027)          | -                         | (2,070,027)          | -                         | (2,070,027)          |
| Pension/OPEB Internal Reserve             | -                      | -                     |                           | -                    | -                         | -                    | -                         | -                    |
| Unamortized Deferrals                     | (1,236,377)            | (203,100)             | 127,700                   | (1,311,777)          | 471,104                   | (840,673)            | 457,058                   | (383,615)            |
| Earnings Base in Excess of Capitalization | (1,882,373)            | (1,055,696)           |                           | (2,938,069)          | -                         | (2,938,069)          | -                         | (2,938,069)          |
| Rate Base at Mid-Point                    | <u>\$ 27,381,886</u>   | <u>\$ (2,802,989)</u> | <u>\$ 2,119,575</u>       | <u>\$ 26,698,472</u> | <u>\$ 2,463,804</u>       | <u>\$ 29,162,277</u> | <u>\$ 1,152,244</u>       | <u>\$ 30,314,521</u> |

**St Lawrence Gas Company**  
**Income Statement and Rate of Return Computation**  
**For the Twelve Months Ended May 31, 2017, 2018 & 2019**

**Appendix A**  
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|  | <u>Company</u><br><u>TME 5/31/17</u> | <u>Settlement</u><br><u>TME 5/31/17</u> | <u>Settlement</u><br><u>TME 5/31/18</u> | <u>Settlement</u><br><u>TME 5/31/19</u> |
|--|--------------------------------------|---|---|---|
| Adjusted Rate Base                       | \$ 27,381,886                        | \$ 26,698,472                           | \$ 29,162,277                           | \$ 30,314,521                           |
| Rate of Return                           | 6.47%                                | 5.48%                                   | 5.44%                                   | 5.43%                                   |
| Required Utility Operating Income        | 1,772,613                            | 1,461,972                               | 1,587,252                               | 1,645,869                               |
| Utility Operating Income before increase | 1,024,215                            | 1,165,171                               | 1,321,136                               | 1,457,795                               |
| Over/Under Operating Income              | 748,398                              | 296,801                                 | 266,116                                 | 188,073                                 |
| Retention Factor                         | 60.76%                               | 61.20%                                  | 61.20%                                  | 61.20%                                  |
| Revenue Requirement                      | <u>\$ 1,231,663</u>                  | <u>\$ 484,987</u>                       | <u>\$ 434,847</u>                       | <u>\$ 307,322</u>                       |
|  | <u>TME 5/31/17</u>                   | <u>TME 5/31/17</u>                      | <u>TME 5/31/18</u>                      | <u>TME 5/31/19</u>                      |
| Increase in Rates                        | \$ 1,231,663                         | \$ 484,987                              | \$ 434,847                              | \$ 307,322                              |
| Less Revenue Taxes                       | 12,193                               | 4,850                                   | 4,348                                   | 3,073                                   |
| Uncollectible Accounts                   | 6,703                                | 2,764                                   | 2,479                                   | 1,752                                   |
| Taxable Income for SIT                   | 1,212,766                            | 477,373                                 | 428,020                                 | 302,497                                 |
| SIT                                      | 78,830                               | 27,675                                  | 24,814                                  | 17,537                                  |
| Taxable Income for FIT                   | 1,133,937                            | 449,698                                 | 403,206                                 | 284,960                                 |
| Federal Income Tax @ 34%                 | 385,538                              | 152,897                                 | 137,090                                 | 96,886                                  |
| Net                                      | <u>\$ 748,398</u>                    | <u>\$ 296,801</u>                       | <u>\$ 266,116</u>                       | <u>\$ 188,073</u>                       |

(1) Retention Factor

|                              | <u>TME 5/31/17</u> | <u>TME 5/31/17</u> | <u>TME 5/31/18</u> | <u>TME 5/31/19</u> |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue                      | 100.00%            | 100.00%            | 100.00%            | 100.00%            |
| Less Revenue Taxes           | 0.99%              | 1.00%              | 1.00%              | 1.00%              |
| Uncollectible Accounts       | 0.54%              | 0.57%              | 0.57%              | 0.57%              |
| Total                        | 98.47%             | 98.43%             | 98.43%             | 98.43%             |
| Reciprocal of State Tax Rate | 0.935              | 0.942              | 0.942              | 0.942              |
| Net                          | 92.07%             | 92.72%             | 92.72%             | 92.72%             |
| Reciprocal Of Tax Rate       | 66.00%             | 66.00%             | 66.00%             | 66.00%             |
| Retention Factor             | <u>60.76%</u>      | <u>61.20%</u>      | <u>61.20%</u>      | <u>61.20%</u>      |

|                   | <u>Company Rate of</u><br><u>Return</u> | <u>TME 5/31/17</u> |                  | <u>Settlement Rate of</u><br><u>Return</u> | <u>TME 5/31/17</u> |                  |
|-------------------|---|--------------------|------------------|--|--------------------|------------------|
|                   | Ratios                                  | Cost               | Weighted<br>Cost | Ratios                                     | Cost               | Weighted<br>Cost |
| Long term Debt    | 23.45%                                  | 2.54%              | 0.60%            | 26.22%                                     | 2.98%              | 0.78%            |
| Short Term Debt   | 25.29%                                  | 2.50%              | 0.63%            | 24.16%                                     | 1.47%              | 0.36%            |
| Customer Deposits | 1.46%                                   | 1.15%              | 0.02%            | 1.62%                                      | 1.15%              | 0.02%            |
| Common Equity     | 49.80%                                  | 10.50%             | 5.23%            | 48.00%                                     | 9.00%              | 4.32%            |
|                   | 100.00%                                 |                    | 6.47%            | 100.00%                                    |                    | 5.48%            |

|  | <u>Staff Rate of Return</u> |       |                  | <u>TME 5/31/15</u> |
|--|-----------------------------|-------|------------------|--------------------|
|  | Ratios                      | Cost  | Weighted<br>Cost |                    |
|  | 23.53%                      | 2.54% | 0.60%            |                    |
|  | 27.01%                      | 1.24% | 0.33%            |                    |
|  | 1.46%                       | 1.15% | 0.02%            |                    |
|  | 48.00%                      | 8.60% | 4.13%            |                    |
|  | 100.00%                     |       | 5.08%            |                    |

**Working Capital Allowance**

|  | <u>Company<br/>TME 5/31/17</u> | <u>Staff<br/>Adjs</u> | <u>Settlement<br/>Adjustments</u> | <u>Settlement<br/>Position</u> |
|--|--------------------------------|-----------------------|-----------------------------------|--------------------------------|
| Total Operating Expenses                       | \$9,285,058                    | (\$967,593)           | \$946,631                         | 9,264,096                      |
| Exclusions:                                    |                                |                       |                                   |                                |
| Uncollectibles                                 | 203,864                        | (\$55,014)            | 38,690                            | 187,540                        |
| Amortization of Deferrals                      | (120,673)                      | (279,378)             | 388,560                           | (11,491)                       |
| Non-Cash Items(OPEB's-926.02)                  | (456,432)                      | 1,906,609             | 76,100                            | 1,526,277                      |
| Amount available for working capital allowance | 9,658,299                      | (\$2,539,810)         | 443,281                           | 7,561,770                      |
| Working Capital Allowance                      | 1/8                            | 1/8                   | 1/8                               | 1/8                            |
| W/C-Operation and Maintenance Expenses         | <u>\$1,207,287</u>             | <u>(\$317,476)</u>    | <u>\$55,410</u>                   | <u>\$945,221</u>               |

**Rate Year 2**

|  | <u>Settlement<br/>Position</u> | <u>R/Y 2<br/>Settlement<br/>Adjustments</u> | <u>At<br/>TME 5/31/18</u> |
|--|--------------------------------|---|---------------------------|
| Total Operating Expenses                       | \$9,266,861                    | \$158,732                                   | 9,425,593                 |
| Exclusions:                                    |                                |   |                           |
| Uncollectibles                                 | 187,540                        | 2,764                                       | 190,304                   |
| Amortization of Deferrals                      | (11,491)                       | (6,681)                                     | (18,172)                  |
| Non-Cash Items(OPEB's-926.02)                  | 1,526,277                      | -   | 1,526,277                 |
| Amount available for working capital allowance | \$7,564,535                    | 162,649                                     | 7,727,184                 |
| Working Capital Allowance                      | 1/8                            | 1/8   | 1/8                       |
| W/C-Operation and Maintenance Expenses         | <u>\$945,567</u>               | <u>\$20,331</u>                             | <u>\$965,898</u>          |

**Rate Year 3**

|  | <u>Settlement<br/>Position</u> | <u>R/Y 3<br/>Settlement<br/>Adjustments</u> | <u>At<br/>TME 5/31/19</u> |
|--|--------------------------------|---|---------------------------|
| Total Operating Expenses                       | \$9,428,072                    | \$170,171                                   | 9,598,243                 |
| Exclusions:                                    |                                |   |                           |
| Uncollectibles                                 | 190,304                        | 2,479                                       | 192,783                   |
| Amortization of Deferrals                      | (18,172)                       | -   | (18,172)                  |
| Non-Cash Items(OPEB's-926.02)                  | 1,526,277                      | -   | 1,526,277                 |
| Amount available for working capital allowance | \$7,729,663                    | 167,692                                     | 7,897,355                 |
| Working Capital Allowance                      | 1/8                            | 1/8   | 1/8                       |
| W/C-Operation and Maintenance Expenses         | <u>\$966,208</u>               | <u>\$20,962</u>                             | <u>\$987,169</u>          |

**St. Lawrence Gas Company, Inc.**  
**Summary of Settlement Adjustments**  
**For the Rate Year Ended May 31, 2017**

| <u>Adj. No.</u> |  | <u>Amount</u>               |
|-----------------|--|-----------------------------|
| (1)             | <b><u>Operating Revenues</u></b>   |                             |
|                 | To decrease Staff's original Res, Com, Ind adjustment                        | \$24,464                    |
|                 | To reverse purchased gas adjustment  | (690,567)                   |
|                 | To reverse TSA adjustment  | (390,876)                   |
|                 | To increase transportation service revenues from Staff's original filing     | 62,587                      |
|                 | To increase forfeit and misc service revenues per Staff's adjustment         | 4,854                       |
|                 | To increase interruptible sales per Staff's adjustment                       | 10,454                      |
|                 | To increase sales to reflect low income program as operating expense         | 283,920                     |
|                 | To align TSA revenues with TSA expenses                                      | (1,270)                     |
|                 | To update for Staff's adjustment to uncollectible expense through MFC/DRA    | <u>(20,863)</u>             |
|                 | <br><u>To remove amortization credits from revenues</u>                      |                             |
|                 | To remove low income rate credit   | (\$27,920)                  |
|                 | To remove interest rate true up amortization                                 | (311,887)                   |
|                 | To remove CC on Gas in Storage   | <u>(172,346)</u>            |
|                 | <i>Total Adjustments to Revenues</i>   | <u><u>(\$1,229,450)</u></u> |
|                 | <br><b><u>Purchased Gas Costs</u></b>  |                             |
| (2)             | To adjust and decrease for interruptible margin imputation                   | (\$948,360)                 |
|                 | To adjust for bridge rental and payroll/transp/phone removal to oper expense | (66,168)                    |
|                 | To adjust for increased gas costs in revenue                                 | <u>290,835</u>              |
|                 |  | <u><u>(\$723,693)</u></u>   |
|                 | <br><b><u>Revenue Taxes</u></b>  |                             |
| (3)             | To track adjustments made to revenues  | <u><u>(\$27,650)</u></u>    |
|                 | <br><b><u>Other Operating Expenses</u></b>                                   |                             |
| (4)             | <b><u>Direct Labor</u></b>   |                             |
|                 | To accept the Company's proposal to base OT calc on RY wages                 | \$19,800                    |
|                 | To accept the Company's proposal to limit mgt wage increases to union rates  | 5,600                       |
|                 | To allow up to 70% of Company's incentive compensation proposal              | <u>157,400</u>              |
|                 |  | <u><u>\$182,800</u></u>     |
| (5)             | <b><u>Payroll Reserve</u></b>  |                             |
|                 | To allow 50% of payroll reserve in RY 1                                      | <u><u>\$26,000</u></u>      |
| (6)             | <b><u>Outreach and Education Expense</u></b>                                 |                             |
|                 | To remove Staff's adjustment for O&E   | <u><u>\$19,400</u></u>      |
| (7)             | <b><u>Regulatory Commission Expense</u></b>                                  |                             |
|                 | To increase ERDA forecast based on latest known data                         | <u><u>\$8,200</u></u>       |
| (8)             | <b><u>Health Insurance</u></b>   |                             |
|                 | To update health insurance for additional person and 2016 actual rates       | <u><u>\$42,959</u></u>      |

**St. Lawrence Gas Company, Inc.**  
**Summary of Settlement Adjustments**  
**For the Rate Year Ended May 31, 2017**

| <u>Adj. No.</u>                                      |   | <u>Amount</u>   |
|--|---|---|
| (9)  | <u>Employee Benefits</u><br>To include other benefits related to additional employee  | <u>\$3,011</u>  |
| (10)   | <u>Uncollectible Expense</u><br>To accept Company's proposal to use a three-year average of write offs<br>To allow additional \$10,000 due to potential impact of Alcoa   | \$28,690<br><u>10,000</u><br><u>\$38,690</u>          |
| (11)   | <u>Outside Services</u><br>To update Gas Control Contract - DPS 241<br>To allow additional corporate allocation expense based on progress going forward   | \$7,800<br><u>50,000</u><br><u>\$57,800</u>           |
| (12)   | <u>Inflation</u><br>To remove inflation on health insurance   | <u>(\$17,200)</u>                                     |
| (13)   | <u>Pension</u><br>To allow update to Pension numbers  | <u>\$76,100</u>                                       |
| (14)   | <u>Amortization of 2015 Rate Case Expense - Case 15-G-0382</u><br>To update rate case expense amortization<br>To update additional portion of rate case expense   | \$38,357<br><u>5,000</u><br><u>\$43,357</u>           |
| (15)   | <u>Amortization of Property Taxes - 08-G-1392</u><br>To allow for a five-year amortization period   | <u>\$41,578</u>                                       |
| (16)   | <u>Amortization of In-Line Inspection Costs</u><br>To include 80% of the in-line inspection costs being amortized over a three-year period  | <u>\$57,700</u>                                       |
| (17)   | <u>Productivity</u><br>To adjust productivity 1% based on settlement  | <u>(\$3,049)</u>                                      |
| (18)   | <u>Other Expenses</u><br>To increase rebates to allow for conversions related to Massena and other customers<br>To increase bridge rental and payroll/transp/phone removal from purchased gas costs<br>To allow for employee NGV training | \$25,000<br>66,168<br><u>5,000</u><br><u>\$96,168</u> |
| <u>Amortizations Removed from Base Rates</u>         |   |   |
|  | Amort. Of Uncollectibles C. 08-G-1392   | 107,568   |
|  | Amort of Reg. Comm. Exp. - Case 08-G-1392   | 27,192  |
|  | Amort of Rate Case Exp - Case 08-G-1392   | 75,926  |
|  | Amort of Rate Case Exp - Case 15-G-0382   | (126,690)   |
|  | Amort of Property Tax - Case 06-G-1471  | 35,017  |
|  | Amort of Property Tax - Case 08-G-1392  | 190,034   |
|  | Amort of Public Awareness and Safety Program Exp - Case 15-G-0382   | 28,451  |
|  | Amortization of In-Line-Inspection  | (57,700)  |
|  | Amortization Billing System   | <u>(6,681)</u>  |
|  |   | <u>\$273,117</u>                                      |
| <b>Total Adjustments to Other Operating Expenses</b> |   | <u>\$946,631</u>                                      |

**St. Lawrence Gas Company, Inc.**  
**Summary of Settlement Adjustments**  
**For the Rate Year Ended May 31, 2017**

|      |   |                      |                                  |
|------|---|----------------------|----------------------------------|
| (19) | <b><u>Depreciation &amp; Amortization</u></b>   |                      |                                  |
|      | To reduce allowance for radios based on Company's proposal                            | (\$4,700)            |                                  |
|      | To allow depreciation expense on miscellaneous capex                                  | \$11,832             |                                  |
|      | To reverse Staff adjustments  | (\$168,172)          |                                  |
|      | To adjust to Company's proposal   | <u>\$7,772</u>       |                                  |
|      |   |                      | <u><u>(\$153,268)</u></u>        |
| (20) | <b><u>Property Taxes</u></b>  |                      |                                  |
|      | To accept Company's update of T&C property tax forecast                               |                      | <u><u>\$1,900</u></u>            |
| (21) | <b><u>State Income Taxes</u></b>  |                      |                                  |
|      | Track SIT effect on settlement adjustments  | (\$1,273,370)        |                                  |
|      | Adjustment related to interest expense  | (\$24,499)           |                                  |
|      | <i>Total Adjustments for Taxable Income</i>   | <u>(\$1,297,870)</u> |                                  |
|      | <i>SIT - Current</i>  |                      | <u><u>(\$92,149)</u></u>         |
| (22) | <b><u>Federal Income Taxes</u></b>  |                      |                                  |
|      | Track FIT effect on settlement adjustments  | (\$1,273,370)        |                                  |
|      | Adjustment related to interest expense  | (\$24,499)           |                                  |
|      | Track staff adjustments to SIT - Current  | <u>\$92,149</u>      |                                  |
|      | <i>Total Adjustments for Taxable Income</i>   | <u>(\$1,205,721)</u> |                                  |
|      | <i>FIT - Current</i>  |                      | <u><u>(\$409,945)</u></u>        |
| (23) | <b><u>Deferred FIT</u></b>  |                      |                                  |
|      | Track adjustments for deferred SIT  | <u>\$0</u>           |                                  |
|      |   |                      | <u><u>\$0</u></u>                |
|      | <b><u>Summary of Rate Base Adjustments</u></b>  |                      |                                  |
| (24) | <b><u>Utility Plant in Service</u></b>  |                      |                                  |
|      | To reduce allowance for radios based on Company's proposal                            | (\$47,000)           |                                  |
|      | To include capex for miscellaneous items  | \$539,432            |                                  |
|      | To reverse Staff's adjustment   | \$1,126,153          |                                  |
|      | To record adjustment to match Company's proposal                                      | <u>\$594,265</u>     |                                  |
|      |   |                      | <u><u>\$2,212,850</u></u>        |
| (25) | <b><u>Depreciation Reserve</u></b>  |                      |                                  |
|      | To include depreciation for capex for misc items                                      | (\$3,033)            |                                  |
|      | To reverse Staff's adjustment   | (\$388,835)          |                                  |
|      | To record adjustment to match Company's proposal                                      | <u>\$115,483</u>     |                                  |
|      |   |                      | <u><u>(\$276,385)</u></u>        |
| (26) | <b><u>Unamortized Deferrals</u></b>   |                      |                                  |
|      | To reverse Staff's adjustment   | \$203,100            |                                  |
|      | To record adjustment to record 5-year amort of prop tax and adjust 2015 rate case exp | (\$157,570)          |                                  |
|      | To record additional rate case and in-line inspection deferral adjustments            | <u>\$82,170</u>      |                                  |
|      |   |                      | <u><u>\$127,700</u></u>          |
| (27) | <b><u>Working Capital Allowance</u></b>   |                      |                                  |
|      | Tracking Staff adjustments to other operating expenses                                |                      | <u><u>\$55,410</u></u>           |
|      | <b><i>Total Adjustments to Rate Base</i></b>  |                      | <u><u><u>\$2,119,575</u></u></u> |

**St. Lawrence Gas Company, Inc.**  
**Summary of Settlement Adjustments**  
**For the Rate Year Ended May 31, 2018**

| <u>Adj. No.</u> | <u>Year 2 Adjustments</u>   | <u>Amount</u>                                  |
|-----------------|---|--|
| (28)            | <b>Revenues</b><br>Year 2 Customer Additions - Net Margins  | <u>\$47,852</u>                                |
|                 | <b>Expenses</b>   |  |
| (29)            | <u>Inflation</u><br>Increase various components by inflation factor from 6/1/2017 - 5/31/2018   | 2.08%  |
| (30)            | <u>Payroll Reserve</u><br>Allow additional expense for Rate Year 2  | <u>\$10,000</u>                                |
| (31)            | <u>Depreciation</u><br>Increase for plant additions   | <u>\$87,713</u>                                |
| (32)            | <u>Property Taxes</u><br>Increase for inflation   | 2.08%<br><u>\$33,812</u>                       |
| (33)            | <u>Productivity</u><br>To adjust productivity to 1% based on settlement   | <u>(\$920)</u>                                 |
|                 | <b>Rate Base Adjustments</b>  |  |
| (34)            | <u>Utility Plant in Service</u><br>Update average plant and forecast future plant   | <u>\$2,765,315</u>                             |
| (35)            | <u>Depreciation Reserve</u><br>Update average accumulate depreciation and forecast future   | <u>(\$821,154)</u>                             |
| (34)            | <u>Working Capital</u><br>To update prepayments for inflation<br>To update materials and supplies for inflation<br>Update for 1/8 of adjustments to expense | \$20,616<br>7,592<br>20,331<br><u>\$48,539</u> |
| (35)            | <u>Accumulated Deferred SIT &amp; FIT</u><br>Update deferred taxes consistent with plant additions  | <u>\$0</u>                                     |
| (36)            | <u>Unamortized Deferrals</u><br>Update for continued amortization of deferrals  | <u>\$471,104</u>                               |

**St. Lawrence Gas Company, Inc.**  
**Summary of Settlement Adjustments**  
**For the Rate Year Ended May 31, 2019**

| <u>Adj. No.</u> | <u>Year 3 Adjustments</u>  | <u>Amount</u>                      |
|-----------------|--|------------------------------------|
|                 | <b><u>Revenues</u></b>   |                                    |
| (37)            | Year 2 Customer Additions - Net Margin   | <u>\$55,042</u>                    |
|                 | <b><u>Expenses</u></b>   |                                    |
| (38)            | <b><u>Inflation</u></b><br>Increase various components by inflation factor from 6/1/2018 - 5/31/2019   | 2.10%                              |
| (39)            | <b><u>Payroll Reserve</u></b><br>Allow additional expense for Rate Year 3  | <u>\$10,000</u>                    |
| (40)            | <b><u>Depreciation</u></b><br>Increase for plant additions   | <u>\$57,871</u>                    |
| (41)            | <b><u>Property Taxes</u></b><br>Increase for inflation   | 2.10%<br><u>\$34,847</u>           |
| (42)            | <b><u>Productivity</u></b><br>To adjust productivity to 1% based on settlement   | <u>(\$948)</u>                     |
|                 | <b><u>Rate Base Adjustments</u></b>  |                                    |
| (43)            | <b><u>Utility Plant in Service</u></b><br>Update average plant and forecast future plant   | <u>\$1,776,581</u>                 |
| (44)            | <b><u>Depreciation Reserve</u></b><br>Update average accumulate depreciation and forecast future   | <u>(\$1,131,428)</u>               |
| (45)            | <b><u>Working Capital</u></b><br>To update prepayments for inflation<br>To update materials and supplies for inflation<br>Update for 1/8 of adjustments to expense | \$21,247<br>7,824<br><u>20,962</u> |
| (46)            | <b><u>Accumulated Deferred SIT &amp; FIT</u></b><br>Update deferred taxes consistent with plant additions  | <u>\$50,033</u><br><u>\$0</u>      |
| (47)            | <b><u>Unamortized Deferrals</u></b><br>Update for continued amortization of deferrals  | <u>\$457,058</u>                   |



**St Lawrence Gas Company**  
**Bill Impact Summary**  
**For the Twelve Months Ended May 31, 2017, 2018 & 2019**

Yearly Bill Impact

|                                      | Rate Year 1       | Rate Year 2       | Rate Year 3       | Rate Year 4       | Rate Year 5         |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Base Rate Change Year 1              | \$ 480,137        | \$ 480,137        | \$ 480,137        | \$ 480,137        | \$ 480,137          |
| Base Rate Change Year 2              |                   | 430,498           | 430,498           | 430,498           | 430,498             |
| Base Rate Change Year 3              |                   |                   | 304,248           | 304,248           | 304,248             |
| SBC Credit                           | (189,418)         | (189,418)         | (189,418)         |                   |                     |
| ILI Surcharge                        | 214,600           | 214,600           | 214,600           | 214,600           | 214,600             |
| Net Change                           | <u>505,319</u>    | <u>935,817</u>    | <u>1,240,065</u>  | <u>1,429,483</u>  | <u>1,429,483</u>    |
| Amortization Credits Used            | <u>(505,319)</u>  | <u>(631,169)</u>  | <u>(631,169)</u>  | <u>(510,959)</u>  | <u>(214,600)</u>    |
| Bill Impact w/o Revenue Taxes        | <u>\$ -</u>       | <u>\$ 304,648</u> | <u>\$ 608,896</u> | <u>\$ 918,524</u> | <u>\$ 1,214,883</u> |
| Revenue Taxes                        | -                 | 3,077             | 6,150             | 9,278             | 12,272              |
| Bill Impact w/ Revenue Taxes         | <u>\$ -</u>       | <u>\$ 307,725</u> | <u>\$ 615,046</u> | <u>\$ 927,802</u> | <u>\$ 1,227,155</u> |
| <br>                                 |                   |                   |                   |                   |                     |
| Total Amortization Credits Available | \$ 2,493,216      |                   |                   |                   |                     |
| Property Tax True Up Credit          |                   |                   |                   |                   |                     |
| Targeted for year 4                  | (138,967)         |                   |                   |                   |                     |
| Targeted for year 5                  | <u>(138,967)</u>  |                   |                   |                   |                     |
| Net Credits Available                | 2,215,282         |                   |                   |                   |                     |
| Used in R/Y 1                        | <u>(505,319)</u>  |                   |                   |                   |                     |
| Available after year 1               | 1,709,963         |                   |                   |                   |                     |
| Used in R/Y 2                        | <u>(631,169)</u>  |                   |                   |                   |                     |
| Available after year 2               | 1,078,794         |                   |                   |                   |                     |
| Used in R/Y 3                        | <u>(631,169)</u>  |                   |                   |                   |                     |
| Available after year 3               | <u>\$ 447,625</u> |                   |                   |                   |                     |

**St Lawrence Gas Company**  
**Productivity**  
**For the Twelve Months Ended May 31, 2017, 2018 & 2019**

| <u>Item</u>                                   | <u>Rate Year 1</u> | <u>Rate Year 2</u> | <u>Rate Year 3</u> |
|---|--------------------|--------------------|--------------------|
| Direct Labor                                  | \$3,405,704        | \$3,476,543        | \$3,549,550        |
| Pension, OPEBs & Other Employee Benefits      | 2,329,147          | 2,344,753          | 2,360,837          |
| Payroll Taxes                                 | 268,204            | 273,783            | 279,532            |
| Total - Direct Labor, Fringes & Payroll Taxes | <u>\$6,003,055</u> | <u>\$6,095,078</u> | <u>\$6,189,919</u> |
| 1% Productivity Accounting Panel Adjustment   | (\$60,031)         | (\$60,951)         | (\$61,899)         |
| Productivity Filed by Staff                   | <u>(\$56,982)</u>  | <u>(\$60,031)</u>  | <u>(\$60,951)</u>  |
| Settlement Adjustment                         | <u>(\$3,049)</u>   | <u>(\$920)</u>     | <u>(\$948)</u>     |

## Rate Design

The rate design was performed for base rate increases without the inclusion of any surcredits starting from the margin revenues for the three classes at current rates; \$7,047,380 for SC-1 (residential), \$3,096,879 for SC-2 (commercial), and \$752,909 SC-3 (industrial). The billing determinants for the three rate years (RY1, RY2, and RY3) were as follows:

| <u>SC 1</u>                  | <u>RY1</u> | <u>RY2</u> | <u>RY3</u> |
|------------------------------|------------|------------|------------|
| Customers (Average)          | 14,155     | 14,219     | 14,282     |
| Block 0(0-4 Therms)          | 637,488    | 640,332    | 643,132    |
| Block 1(4-40 Therms)         | 4,392,106  | 4,411,981  | 4,431,546  |
| Block 2(Over 40 Therms)      | 10,462,581 | 10,509,301 | 10,555,291 |
| <br>                         |            |            |            |
| <u>SC 2</u>                  | <u>RY1</u> | <u>RY2</u> | <u>RY3</u> |
| Customers (Average)          | 1,680      | 1,691      | 1,706      |
| Block 0(0-4 Therms)          | 75,969     | 76,433     | 77,065     |
| Block 1(4-70 Therms)         | 935,754    | 941,274    | 948,802    |
| Block 2(70-5000 Therms)      | 7,556,498  | 7,595,146  | 7,647,848  |
| Block 3(5000-50000 Therms)   | 5,505,278  | 5,522,073  | 5,544,975  |
| Block 4(Over 50000 Therms)   | 3,945,480  | 3,946,698  | 3,948,359  |
| <br>                         |            |            |            |
| <u>SC 3</u>                  | <u>RY1</u> | <u>RY2</u> | <u>RY3</u> |
| Customers (Average)          | 8          | 8          | 8          |
| Block 1 (First 12x Contract) | 14,585,253 | 14,585,253 | 14,585,253 |
| Block 2 (Excess)             | 11,819,617 | 11,819,617 | 11,819,617 |

The rate designed provided for increases of \$480,137, \$430,498, and \$304,248 for RY1, RY2, and RY3, respectively. Part of the increases to SC-3, totaling \$26,507, \$26,383, and \$18,157 for RY1, RY2, and RY3, respectively, were reallocated to SC-1 and SC-2 based on the Embedded Cost of Service Study where the rate of return for SC-3 (5.61%) was well above the system average (3.74%). This reduced SC-3 rate increases to \$6,667 per year. Rate design also reflected margin increases of \$47,852 due to customer growth between RY1 and RY2 and \$55,042 between RY2 and RY3.

Rate design was achieved through rate increases to volumetric blocks 1 and 2 for SC-1 customers; blocks 1, 2, and 3 for SC-2 customers; and customer charge and blocks 1 and 2 for SC-3 customers. The SC-3 customer charge was increased by \$15.00 each year and the SC-3 block rates for

first 750 MCF and Over 750 MCF were increased by .043, .043, and .042 for RY1 through RY3, respectively. Block rates, for the blocks being increased, were increased for SC-1 and SC-2 by the same percentage to obtain the required SC 1 and SC 2 revenue increases.

Rate design provided for surcredits of \$290,719, \$416,969, and \$416,969 for RY1, RY2, and RY3, respectively, with the remaining \$214,600 surcredits applied to the in line inspection (ILI) surcharge. The surcredits were calculated to levelize bill impacts for RY1 through RY3 and Year 4 and Year 5 if the Company does not file for new rates at the end of the rate plan.

Surcredits of \$6,667, \$8,334, and \$10,001 for RY1, RY2, and RY3, respectively, were applied to SC-3 customers in order to levelize bill impacts associated with the SC-3 rate increase of \$6,667 per year. Additionally, SBC surcredits were applied to customers whose annual usage is under 50,000 therms and are designed to be returned to customers in RY1, RY2, and RY3 at \$189,418 per year. To account for the SBC surcredit distribution between SC 1 and SC 2, SC 1 and SC 2 had \$3,500 of surcredits reallocated in RY1. That reallocation was reversed in Year 4 to maintain the proper total surcredits to each class. Lastly \$400 of surcredits provided in RY2 and RY3 were not required to levelize SC-1 and were reallocated to Year 4.

The \$214,600 ILI surcharge was proportionally allocated by delivery volumes to SC-1, SC-2, and SC-3 in the same manner the rate increases were allocated. The allocations were as follows:

| Rate Class | Rate Year 1 | Rate Year 2 | Rate Year 3 |
|------------|-------------|-------------|-------------|
| SC-1       | 64.8630%    | 65.0389%    | 65.1506%    |
| SC-2       | 28.4608%    | 28.4980%    | 28.5218%    |
| SC-3       | 6.6762%     | 6.4631%     | 6.3276%     |

The above allocations should be used to determine allocations of actual expenses and carrying costs to be recovered. Each year \$214,600 was assumed with the actual expense and carrying costs to be provided at the time of rate submission.

If the Company chooses not to file for new rates to be effective at the end of RY3, surcredits of \$510,959 and \$214,600 are available for the first two out years, year 4 and year 5. Surcredits of \$296,359 and \$0 for base rates and \$214,600 and \$214,600 for the ILI surcharge, for year 4 and year 5, respectively, were calculated following the same approach to the base rates and ILI surcharge. All surcredits will expire at the end of year 5. If the Company does file for new rates to be effective at the end of RY3, then the credits will be available for disposition in that new proceeding.

A revenue per customer (RPC) was calculated for SC-1 and SC-2 for the base rate revenues (customer charge revenues and block revenues) at the base rates. For RY1, RY2, and RY3, the RPCs are \$511.39, \$532.35, and \$547.33 for SC-1 and \$1847.52, \$1918.47, and \$1963.23 for SC-2. The allowed recovery in the rate year reconciliation will be the average number of customers for the rate year times the RPC for the rate year. The recoveries in the rate year reconciliation for the rate year will be the actual revenues recovered from the base rate revenues plus the surcredits booked (deferrals used) for SC-1 and SC-2.

The following table sets the surcredits to be booked:

|                    | <u>Rate Year 1</u> |  | <u>Rate Year 2</u> |  | <u>Rate Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|--------------------|--------------------|--|--------------------|--|--------------------|---------------|---------------|
| <b>Booked SC 1</b> | \$ 195,845         |  | \$ 287,547         |  | \$ 292,265         | \$ 212,945    | \$ -          |
| <b>Booked SC 2</b> | \$ 88,207          |  | \$ 120,688         |  | \$ 114,303         | \$ 78,413     | \$ -          |
| <b>SC 3 Credit</b> | \$ 6,667           |  | \$ 8,334           |  | \$ 10,001          | \$ 5,001      | \$ -          |
| <b>ILI Credit</b>  | \$ 214,600         |  | \$ 214,600         |  | \$ 214,600         | \$ 214,600    | \$ 214,600    |
|                    |                    |  |                    |  |                    |               |               |
| <b>Total</b>       | \$ 505,319         |  | \$ 631,169         |  | \$ 631,169         | \$ 510,959    | \$ 214,600    |
|                    |                    |  |                    |  |                    |               | \$ 2,493,216  |

How the Company books the monthly surcredits for SC-1 and SC-2 will be allocated by the Company based on forecasted recoveries without the surcredits. The above table also includes the SC-3 and ILI amounts used to calculate the surcredit rates. The actual amounts returned to customers from the SC-3 and ILI surcredit rates are to be booked against the deferral.

The Company will file a tariff statement outlining the base rate, the surcredit, and the billed rate. The billed rate will be what is used to calculate the customer's monthly bill and will appear on the bill in place of the base rate wherever the base rate is normally stated on a customer's bill.

The table below provides the base rates to be billed. The ILI (exc. Cap) and SBC rates may change if the actual amounts to be recovered for ILI or refunded for SBC are different than projected.

| SC1                                  | Current          | Incr.     | RY 1               | Incr     | RY 2               | Incr.    | RY 3               |  | Yr 4             |  | Yr 5             |  | Yr 6             |
|--------------------------------------|------------------|-----------|--------------------|----------|--------------------|----------|--------------------|--|------------------|--|------------------|--|------------------|
| Customer Charge                      | \$ 15.00         |           | \$ 15.00           |          | \$ 15.00           |          | \$ 15.00           |  | \$ 15.00         |  | \$ 15.00         |  | \$ 15.00         |
| First 4 Therms                       | \$ -             |           | \$ -               |          | \$ -               |          | \$ -               |  | \$ -             |  | \$ -             |  | \$ -             |
| Next 36 Therms                       | \$ 0.4790        | \$ 0.0365 | \$ 0.5155          | \$0.0327 | \$ 0.5482          | \$0.0233 | \$ 0.5715          |  | \$ 0.5715        |  | \$ 0.5715        |  | \$ 0.5715        |
| Credit                               |                  |           | \$ (0.0217)        |          | \$ (0.0315)        |          | \$ (0.0318)        |  | \$ (0.0232)      |  |                  |  |                  |
| <b>Billed Next 36 Therms</b>         | <b>\$ 0.4790</b> |           | <b>\$ 0.4938</b>   |          | <b>\$ 0.5167</b>   |          | <b>\$ 0.5397</b>   |  | <b>\$ 0.5483</b> |  | <b>\$ 0.5715</b> |  | <b>\$ 0.5715</b> |
| Over 40 Therms                       | \$ 0.2155        | \$ 0.0164 | \$ 0.2319          | \$0.0147 | \$ 0.2466          | \$0.0105 | \$ 0.2571          |  | \$ 0.2571        |  | \$ 0.2571        |  | \$ 0.2571        |
| Credit                               |                  |           | \$ (0.0097)        |          | \$ (0.0142)        |          | \$ (0.0143)        |  | \$ (0.0104)      |  |                  |  |                  |
| <b>Billed Over 40 Therms</b>         | <b>\$ 0.2155</b> |           | <b>\$ 0.2222</b>   |          | <b>\$ 0.2324</b>   |          | <b>\$ 0.2428</b>   |  | <b>\$ 0.2467</b> |  | <b>\$ 0.2571</b> |  | <b>\$ 0.2571</b> |
| ILI (exc. Cap)                       |                  |           | \$ 0.0090          |          | \$ 0.0090          |          | \$ 0.0089          |  | \$ 0.0089        |  | \$ 0.0089        |  | \$ 0.0089        |
| Credit                               |                  |           | \$ (0.0090)        |          | \$ (0.0090)        |          | \$ (0.0089)        |  | \$ (0.0089)      |  | \$ (0.0089)      |  | \$ -             |
| <b>Bill ILI (exc. Cap)</b>           | <b>\$ -</b>      |           | <b>\$ -</b>        |          | <b>\$ -</b>        |          | <b>\$ -</b>        |  | <b>\$ -</b>      |  | <b>\$ -</b>      |  | <b>\$ 0.0089</b> |
| <b>SBC (Annual Usage &lt; 50000)</b> | <b>\$ -</b>      |           | <b>\$ (0.0090)</b> |          | <b>\$ (0.0089)</b> |          | <b>\$ (0.0089)</b> |  | <b>\$ -</b>      |  | <b>\$ -</b>      |  | <b>\$ -</b>      |
| <b>SC2</b>                           |                  |           |                    |          |                    |          |                    |  |                  |  |                  |  |                  |
| Customer Charge                      | \$ 25.00         |           | \$ 25.00           |          | \$ 25.00           |          | \$ 25.00           |  | \$ 25.00         |  | \$ 25.00         |  | \$ 25.00         |
| First 4 Therms                       | \$ -             |           | \$ -               |          | \$ -               |          | \$ -               |  | \$ -             |  | \$ -             |  | \$ -             |
| Next 66 Therms                       | \$ 0.4550        | \$ 0.0282 | \$ 0.4832          | \$0.0249 | \$ 0.5081          | \$0.0165 | \$ 0.5246          |  | \$ 0.5246        |  | \$ 0.5246        |  | \$ 0.5246        |
| Credit                               |                  |           | \$ (0.0173)        |          | \$ (0.0240)        |          | \$ (0.0225)        |  | \$ (0.0155)      |  |                  |  |                  |
| <b>Billed Next 66 Therms</b>         | <b>\$ 0.4550</b> |           | <b>\$ 0.4659</b>   |          | <b>\$ 0.4841</b>   |          | <b>\$ 0.5021</b>   |  | <b>\$ 0.5091</b> |  | <b>\$ 0.5246</b> |  | <b>\$ 0.5246</b> |
| Over 4930 Therms                     | \$ 0.1951        | \$ 0.0121 | \$ 0.2072          | \$0.0107 | \$ 0.2179          | \$0.0071 | \$ 0.2250          |  | \$ 0.2250        |  | \$ 0.2250        |  | \$ 0.2250        |
| Credit                               |                  |           | \$ (0.0074)        |          | \$ (0.0103)        |          | \$ (0.0097)        |  | \$ (0.0067)      |  |                  |  |                  |
| <b>Billed Next 4930 Therms</b>       | <b>\$ 0.1951</b> |           | <b>\$ 0.1998</b>   |          | <b>\$ 0.2076</b>   |          | <b>\$ 0.2153</b>   |  | <b>\$ 0.2183</b> |  | <b>\$ 0.2250</b> |  | <b>\$ 0.2250</b> |
| Next 45000 Therms                    | \$ 0.0685        | \$ 0.0042 | \$ 0.0727          | \$0.0037 | \$ 0.0764          | \$0.0025 | \$ 0.0789          |  | \$ 0.0789        |  | \$ 0.0789        |  | \$ 0.0789        |
| Credit                               |                  |           | \$ (0.0026)        |          | \$ (0.0036)        |          | \$ (0.0034)        |  | \$ (0.0023)      |  |                  |  |                  |
| <b>Billed Next 45000 Therms</b>      | <b>\$ 0.0685</b> |           | <b>\$ 0.0701</b>   |          | <b>\$ 0.0728</b>   |          | <b>\$ 0.0755</b>   |  | <b>\$ 0.0766</b> |  | <b>\$ 0.0789</b> |  | <b>\$ 0.0789</b> |
| <b>Over 50000 Therms</b>             | <b>\$ 0.0460</b> |           | <b>\$ 0.0460</b>   |          | <b>\$ 0.0460</b>   |          | <b>\$ 0.0460</b>   |  | <b>\$ 0.0460</b> |  | <b>\$ 0.0460</b> |  | <b>\$ 0.0460</b> |
| ILI (exc. Cap)                       |                  |           | \$ 0.0034          |          | \$ 0.0034          |          | \$ 0.0034          |  | \$ 0.0034        |  | \$ 0.0034        |  | \$ 0.0034        |
| Credit                               |                  |           | \$ (0.0034)        |          | \$ (0.0034)        |          | \$ (0.0034)        |  | \$ (0.0034)      |  | \$ (0.0034)      |  | \$ -             |
| <b>Bill ILI (exc. Cap)</b>           | <b>\$ -</b>      |           | <b>\$ -</b>        |          | <b>\$ -</b>        |          | <b>\$ -</b>        |  | <b>\$ -</b>      |  | <b>\$ -</b>      |  | <b>\$ 0.0034</b> |
| <b>SBC (Annual Usage &lt; 50000)</b> | <b>\$ -</b>      |           | <b>\$ (0.0090)</b> |          | <b>\$ (0.0089)</b> |          | <b>\$ (0.0089)</b> |  | <b>\$ -</b>      |  | <b>\$ -</b>      |  | <b>\$ -</b>      |
| <b>SC3</b>                           |                  |           |                    |          |                    |          |                    |  |                  |  |                  |  |                  |
| Customer Charge                      | \$ 310.00        | \$ 15.00  | \$ 325.00          | \$ 15.00 | \$ 340.00          | \$ 15.00 | \$ 355.00          |  | \$ 355.00        |  | \$ 355.00        |  | \$ 355.00        |
| Credit                               |                  |           | \$ (15.00)         |          | \$ (19.00)         |          | \$ (23.00)         |  | \$ (12.00)       |  |                  |  |                  |
| <b>Billed Cust. Chg</b>              | <b>\$ 310.00</b> |           | <b>\$ 310.00</b>   |          | <b>\$ 321.00</b>   |          | <b>\$ 332.00</b>   |  | <b>\$ 343.00</b> |  | <b>\$ 355.00</b> |  | <b>\$ 355.00</b> |
| First 750 Mcf                        | \$ 4.200         | \$ 0.043  | \$ 4.243           | \$ 0.043 | \$ 4.286           | \$ 0.042 | \$ 4.328           |  | \$ 4.328         |  | \$ 4.328         |  | \$ 4.328         |
| Over 750 Mcf                         |                  |           | \$ (0.043)         |          | \$ (0.054)         |          | \$ (0.064)         |  | \$ (0.032)       |  | \$ -             |  | \$ -             |
| <b>Billed First 750 Mcf</b>          | <b>\$ 4.200</b>  |           | <b>\$ 4.200</b>    |          | <b>\$ 4.232</b>    |          | <b>\$ 4.264</b>    |  | <b>\$ 4.296</b>  |  | <b>\$ 4.328</b>  |  | <b>\$ 4.328</b>  |
| ILI (exc. Cap)                       |                  |           | \$ 0.0005          |          | \$ 0.0005          |          | \$ 0.0005          |  | \$ 0.0005        |  | \$ 0.0005        |  | \$ 0.0005        |
| Credit                               |                  |           | \$ (0.0005)        |          | \$ (0.0005)        |          | \$ (0.0005)        |  | \$ (0.0005)      |  | \$ (0.0005)      |  | \$ -             |
| <b>Bill ILI (exc. Cap)</b>           | <b>\$ -</b>      |           | <b>\$ -</b>        |          | <b>\$ -</b>        |          | <b>\$ -</b>        |  | <b>\$ -</b>      |  | <b>\$ -</b>      |  | <b>\$ 0.0005</b> |

The SBC surcredit rate was calculated on a projected credit of \$568,254 to be returned to qualifying customers in SC-1 and SC-2 over the three rate years. The actual amounts returned to customers from the SBC surcredit rate are to be booked against the credit.

| Annual Bills <u>with</u> Credits for Typical <u>Non-Heating</u> Customer for <u>SC 1</u> Sales |             |              |               |           |           |           |           |           |
|--|-------------|--------------|---------------|-----------|-----------|-----------|-----------|-----------|
| Month  | Consumption | Current Bill | Proposed Bill |           |           |           |           |           |
|  |             |              | RY1           | RY2       | RY3       | Yr 4      | Yr 5      | Yr 6      |
| June   | 18          | \$ 37.77     | \$ 37.82      | \$ 38.14  | \$ 38.46  | \$ 38.74  | \$ 39.07  | \$ 39.23  |
| July   | 13          | \$ 30.90     | \$ 30.91      | \$ 31.12  | \$ 31.33  | \$ 31.52  | \$ 31.73  | \$ 31.85  |
| August   | 13          | \$ 30.90     | \$ 30.91      | \$ 31.12  | \$ 31.33  | \$ 31.52  | \$ 31.73  | \$ 31.85  |
| September  | 12          | \$ 29.53     | \$ 29.54      | \$ 29.72  | \$ 29.91  | \$ 30.08  | \$ 30.27  | \$ 30.38  |
| October  | 14          | \$ 32.28     | \$ 32.30      | \$ 32.54  | \$ 32.77  | \$ 32.97  | \$ 33.21  | \$ 33.33  |
| November   | 14          | \$ 32.28     | \$ 32.30      | \$ 32.54  | \$ 32.77  | \$ 32.97  | \$ 33.21  | \$ 33.33  |
| December   | 17          | \$ 36.40     | \$ 36.44      | \$ 36.74  | \$ 37.04  | \$ 37.30  | \$ 37.60  | \$ 37.75  |
| January  | 18          | \$ 37.77     | \$ 37.82      | \$ 38.14  | \$ 38.46  | \$ 38.74  | \$ 39.07  | \$ 39.23  |
| February   | 21          | \$ 41.88     | \$ 41.94      | \$ 42.33  | \$ 42.72  | \$ 43.06  | \$ 43.45  | \$ 43.64  |
| March  | 19          | \$ 39.14     | \$ 39.19      | \$ 39.54  | \$ 39.88  | \$ 40.18  | \$ 40.53  | \$ 40.70  |
| April  | 21          | \$ 41.88     | \$ 41.94      | \$ 42.33  | \$ 42.72  | \$ 43.06  | \$ 43.45  | \$ 43.64  |
| May  | 16          | \$ 35.02     | \$ 35.06      | \$ 35.33  | \$ 35.61  | \$ 35.85  | \$ 36.13  | \$ 36.27  |
| Total  | 196         | \$ 425.75    | \$ 426.17     | \$ 429.59 | \$ 433.00 | \$ 435.99 | \$ 439.45 | \$ 441.20 |
| Year to Year Percentage Increase -->   |             |              | 0.10%         | 0.80%     | 0.79%     | 0.69%     | 0.79%     | 0.40%     |

| Annual Bills <u>with</u> Credits for Typical <u>Heating</u> Customer for <u>SC 1</u> Sales |             |              |               |             |             |             |             |             |
|--|-------------|--------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Month  | Consumption | Current Bill | Proposed Bill |             |             |             |             |             |
|  |             |              | RY1           | RY2         | RY3         | Yr 4        | Yr 5        | Yr 6        |
| June   | 28          | \$ 51.48     | \$ 51.59      | \$ 52.13    | \$ 52.69    | \$ 53.14    | \$ 53.70    | \$ 53.95    |
| July   | 13          | \$ 30.90     | \$ 30.91      | \$ 31.12    | \$ 31.33    | \$ 31.52    | \$ 31.73    | \$ 31.85    |
| August   | 15          | \$ 33.64     | \$ 33.66      | \$ 33.92    | \$ 34.18    | \$ 34.40    | \$ 34.66    | \$ 34.79    |
| September  | 24          | \$ 46.00     | \$ 46.08      | \$ 46.54    | \$ 47.00    | \$ 47.39    | \$ 47.85    | \$ 48.06    |
| October  | 48          | \$ 76.78     | \$ 76.93      | \$ 77.85    | \$ 78.76    | \$ 79.52    | \$ 80.44    | \$ 80.87    |
| November   | 83          | \$ 115.55    | \$ 115.62     | \$ 116.90   | \$ 118.17   | \$ 119.38   | \$ 120.67   | \$ 121.41   |
| December   | 139         | \$ 177.59    | \$ 177.53     | \$ 179.38   | \$ 181.24   | \$ 183.17   | \$ 185.04   | \$ 186.28   |
| January  | 186         | \$ 229.64    | \$ 229.48     | \$ 231.81   | \$ 234.16   | \$ 236.69   | \$ 239.04   | \$ 240.70   |
| February   | 195         | \$ 239.61    | \$ 239.42     | \$ 241.85   | \$ 244.29   | \$ 246.94   | \$ 249.39   | \$ 251.13   |
| March  | 167         | \$ 208.61    | \$ 208.49     | \$ 210.63   | \$ 212.78   | \$ 215.06   | \$ 217.22   | \$ 218.71   |
| April  | 121         | \$ 157.66    | \$ 157.64     | \$ 159.31   | \$ 160.98   | \$ 162.68   | \$ 164.36   | \$ 165.44   |
| May  | 66          | \$ 96.73     | \$ 96.84      | \$ 97.94    | \$ 99.04    | \$ 100.03   | \$ 101.14   | \$ 101.73   |
| Total  | 1,085       | \$ 1,464.19  | \$ 1,464.19   | \$ 1,479.38 | \$ 1,494.62 | \$ 1,509.92 | \$ 1,525.24 | \$ 1,534.92 |
| Year to Year Percentage Increase -->   |             |              | 0.00%         | 1.04%       | 1.03%       | 1.02%       | 1.01%       | 0.63%       |

| Annual Bills <u>with</u> Credits for Typical <u>Non-Heating</u> Customer for <u>SC 2</u> Sales |             |              |               |             |             |             |             |             |
|--|-------------|--------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Month  | Consumption | Current Bill | Proposed Bill |             |             |             |             |             |
|  |             |              | RY1           | RY2         | RY3         | Yr 4        | Yr 5        | Yr 6        |
| June   | 404         | \$ 480.05    | \$ 478.70     | \$ 482.55   | \$ 486.31   | \$ 491.37   | \$ 494.63   | \$ 496.00   |
| July   | 239         | \$ 300.88    | \$ 300.24     | \$ 302.78   | \$ 305.27   | \$ 308.37   | \$ 310.52   | \$ 311.33   |
| August   | 265         | \$ 329.12    | \$ 328.37     | \$ 331.12   | \$ 333.81   | \$ 337.21   | \$ 339.54   | \$ 340.44   |
| September  | 217         | \$ 277.01    | \$ 276.47     | \$ 278.84   | \$ 281.16   | \$ 283.99   | \$ 286.00   | \$ 286.74   |
| October  | 367         | \$ 439.88    | \$ 438.70     | \$ 442.24   | \$ 445.72   | \$ 450.34   | \$ 453.35   | \$ 454.60   |
| November   | 283         | \$ 348.67    | \$ 347.84     | \$ 350.73   | \$ 353.56   | \$ 357.18   | \$ 359.63   | \$ 360.59   |
| December   | 174         | \$ 230.31    | \$ 229.95     | \$ 231.98   | \$ 233.97   | \$ 236.29   | \$ 238.01   | \$ 238.60   |
| January  | 199         | \$ 257.46    | \$ 257.00     | \$ 259.22   | \$ 261.41   | \$ 264.02   | \$ 265.91   | \$ 266.59   |
| February   | 197         | \$ 255.28    | \$ 254.83     | \$ 257.04   | \$ 259.21   | \$ 261.80   | \$ 263.67   | \$ 264.34   |
| March  | 190         | \$ 247.68    | \$ 247.25     | \$ 249.41   | \$ 251.52   | \$ 254.03   | \$ 255.86   | \$ 256.51   |
| April  | 184         | \$ 241.18    | \$ 240.78     | \$ 242.89   | \$ 244.95   | \$ 247.39   | \$ 249.18   | \$ 249.81   |
| May  | 191         | \$ 248.78    | \$ 248.35     | \$ 250.51   | \$ 252.63   | \$ 255.16   | \$ 256.99   | \$ 257.64   |
| Total  | 2,910       | \$ 3,656.30  | \$ 3,648.48   | \$ 3,679.31 | \$ 3,709.52 | \$ 3,747.15 | \$ 3,773.29 | \$ 3,783.19 |
| Year to Year Percentage Increase -->   |             |              | -0.21%        | 0.85%       | 0.82%       | 1.01%       | 0.70%       | 0.26%       |

| Annual Bills <u>with</u> Credits for Typical <u>Heating</u> Customer for <u>SC 2</u> Sales |             |              |               |             |             |             |             |             |
|--|-------------|--------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Month  | Consumption | Current Bill | Proposed Bill |             |             |             |             |             |
|  |             |              | RY1           | RY2         | RY3         | Yr 4        | Yr 5        | Yr 6        |
| June   | 170         | \$ 225.97    | \$ 225.63     | \$ 227.63   | \$ 229.59   | \$ 231.86   | \$ 233.55   | \$ 234.13   |
| July   | 133         | \$ 185.79    | \$ 185.61     | \$ 187.32   | \$ 188.99   | \$ 190.82   | \$ 192.26   | \$ 192.71   |
| August   | 143         | \$ 196.65    | \$ 196.42     | \$ 198.21   | \$ 199.96   | \$ 201.91   | \$ 203.42   | \$ 203.91   |
| September  | 151         | \$ 205.33    | \$ 205.07     | \$ 206.92   | \$ 208.74   | \$ 210.78   | \$ 212.34   | \$ 212.85   |
| October  | 279         | \$ 344.34    | \$ 343.53     | \$ 346.39   | \$ 349.19   | \$ 352.76   | \$ 355.18   | \$ 356.13   |
| November   | 368         | \$ 440.95    | \$ 439.76     | \$ 443.32   | \$ 446.80   | \$ 451.43   | \$ 454.45   | \$ 455.70   |
| December   | 659         | \$ 756.94    | \$ 754.50     | \$ 760.35   | \$ 766.08   | \$ 774.17   | \$ 779.14   | \$ 781.38   |
| January  | 862         | \$ 977.36    | \$ 974.04     | \$ 981.51   | \$ 988.80   | \$ 999.30   | \$ 1,005.63 | \$ 1,008.56 |
| February   | 878         | \$ 994.73    | \$ 991.35     | \$ 998.94   | \$ 1,006.35 | \$ 1,017.05 | \$ 1,023.48 | \$ 1,026.47 |
| March  | 784         | \$ 892.67    | \$ 889.69     | \$ 896.54   | \$ 903.22   | \$ 912.80   | \$ 918.61   | \$ 921.28   |
| April  | 566         | \$ 655.96    | \$ 653.92     | \$ 659.04   | \$ 664.05   | \$ 671.04   | \$ 675.38   | \$ 677.30   |
| May  | 320         | \$ 388.85    | \$ 387.87     | \$ 391.05   | \$ 394.16   | \$ 398.22   | \$ 400.92   | \$ 402.01   |
| Total  | 5,313       | \$ 6,265.54  | \$ 6,247.39   | \$ 6,297.22 | \$ 6,345.93 | \$ 6,412.14 | \$ 6,454.36 | \$ 6,472.43 |
| Year to Year Percentage Increase -->   |             |              | -0.29%        | 0.80%       | 0.77%       | 1.04%       | 0.66%       | 0.28%       |



| Annual Bills <u>with</u> Credits for Typical Customer for <u>SC 1</u> Transportation |             |              |               |             |             |             |             |             |
|--|-------------|--------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Month  | Consumption | Current Bill | Proposed Bill |             |             |             |             |             |
|  |             |              | RY1           | RY2         | RY3         | Yr 4        | Yr 5        | Yr 6        |
| June   | 94          | \$ 53.48     | \$ 53.52      | \$ 54.91    | \$ 56.30    | \$ 57.65    | \$ 59.06    | \$ 59.90    |
| July   | 56          | \$ 41.35     | \$ 41.49      | \$ 42.48    | \$ 43.48    | \$ 44.34    | \$ 45.35    | \$ 45.85    |
| August   | 37          | \$ 34.39     | \$ 34.55      | \$ 35.30    | \$ 36.06    | \$ 36.68    | \$ 37.44    | \$ 37.77    |
| September  | 132         | \$ 65.91     | \$ 65.87      | \$ 67.65    | \$ 69.44    | \$ 71.27    | \$ 73.07    | \$ 74.24    |
| October  | 288         | \$ 115.63    | \$ 115.23     | \$ 118.62   | \$ 122.03   | \$ 125.86   | \$ 129.28   | \$ 131.84   |
| November   | 430         | \$ 161.04    | \$ 160.31     | \$ 165.16   | \$ 170.05   | \$ 175.70   | \$ 180.59   | \$ 184.42   |
| December   | 687         | \$ 242.79    | \$ 241.47     | \$ 248.97   | \$ 256.53   | \$ 265.47   | \$ 273.04   | \$ 279.15   |
| January  | 825         | \$ 287.05    | \$ 285.41     | \$ 294.34   | \$ 303.33   | \$ 314.03   | \$ 323.04   | \$ 330.38   |
| February   | 722         | \$ 254.10    | \$ 252.70     | \$ 260.56   | \$ 268.48   | \$ 277.87   | \$ 285.80   | \$ 292.23   |
| March  | 644         | \$ 229.20    | \$ 227.98     | \$ 235.04   | \$ 242.15   | \$ 250.53   | \$ 257.66   | \$ 263.39   |
| April  | 398         | \$ 150.81    | \$ 150.16     | \$ 154.68   | \$ 159.23   | \$ 164.47   | \$ 169.03   | \$ 172.57   |
| May  | 207         | \$ 89.75     | \$ 89.54      | \$ 92.09    | \$ 94.66    | \$ 97.45    | \$ 100.03   | \$ 101.87   |
| Total  | 4,520       | \$ 1,725.50  | \$ 1,718.23   | \$ 1,769.80 | \$ 1,821.74 | \$ 1,881.32 | \$ 1,933.39 | \$ 1,973.61 |
| Year to Year Percentage Increase -->   |             |              | -0.42%        | 3.00%       | 2.93%       | 3.27%       | 2.77%       | 2.08%       |

| Annual Bills <u>with</u> Credits for Typical Customer for <u>SC 2</u> Transportation |             |              |               |             |             |             |             |             |
|--|-------------|--------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Month  | Consumption | Current Bill | Proposed Bill |             |             |             |             |             |
|  |             |              | RY1           | RY2         | RY3         | Yr 4        | Yr 5        | Yr 6        |
| June   | 1,264       | \$ 542.35    | \$ 537.30     | \$ 547.95   | \$ 558.33   | \$ 573.62   | \$ 582.64   | \$ 586.94   |
| July   | 423         | \$ 292.19    | \$ 290.76     | \$ 294.76   | \$ 298.67   | \$ 303.95   | \$ 307.33   | \$ 308.77   |
| August   | 606         | \$ 346.63    | \$ 344.42     | \$ 349.86   | \$ 355.18   | \$ 362.64   | \$ 367.25   | \$ 369.31   |
| September  | 354         | \$ 271.67    | \$ 270.53     | \$ 273.99   | \$ 277.37   | \$ 281.83   | \$ 284.75   | \$ 285.95   |
| October  | 904         | \$ 435.27    | \$ 431.77     | \$ 439.57   | \$ 447.18   | \$ 458.19   | \$ 464.80   | \$ 467.87   |
| November   | 1,202       | \$ 523.90    | \$ 519.12     | \$ 529.27   | \$ 539.18   | \$ 553.73   | \$ 562.34   | \$ 566.43   |
| December   | 2,533       | \$ 919.81    | \$ 909.31     | \$ 929.98   | \$ 950.13   | \$ 980.52   | \$ 998.04   | \$ 1,006.65 |
| January  | 3,530       | \$ 1,216.36  | \$ 1,201.57   | \$ 1,230.11 | \$ 1,257.94 | \$ 1,300.20 | \$ 1,324.40 | \$ 1,336.40 |
| February   | 3,582       | \$ 1,231.83  | \$ 1,216.82   | \$ 1,245.77 | \$ 1,274.00 | \$ 1,316.88 | \$ 1,341.43 | \$ 1,353.61 |
| March  | 2,797       | \$ 998.33    | \$ 986.70     | \$ 1,009.45 | \$ 1,031.64 | \$ 1,065.17 | \$ 1,084.46 | \$ 1,093.97 |
| April  | 3,035       | \$ 1,069.12  | \$ 1,056.46   | \$ 1,081.09 | \$ 1,105.11 | \$ 1,141.48 | \$ 1,162.36 | \$ 1,172.68 |
| May  | 1,707       | \$ 674.12    | \$ 667.17     | \$ 681.31   | \$ 695.11   | \$ 715.67   | \$ 727.66   | \$ 733.46   |
| Total  | 21,937      | \$ 8,521.58  | \$ 8,431.93   | \$ 8,613.11 | \$ 8,789.84 | \$ 9,053.88 | \$ 9,207.46 | \$ 9,282.04 |
| Year to Year Percentage Increase -->   |             |              | -1.05%        | 2.15%       | 2.05%       | 3.00%       | 1.70%       | 0.81%       |

| Monthly Bills <b>with</b> Credits for Varying Consumption for SC 1 Sales Customers |             |              |               |             |             |             |             |           |
|--|-------------|--------------|---------------|-------------|-------------|-------------|-------------|-----------|
|  | Consumption | Current Bill | Proposed Bill |             |             |             |             |           |
|  |             |              | RY1           | RY2         | RY3         | Yr 4        | Yr 5        | Yr 6      |
| Assumes SBC<br>Credit  | 0           | \$ 15.00     | \$ 15.00      | \$ 15.00    | \$ 15.00    | \$ 15.00    | \$ 15.00    | \$ 15.00  |
|  | 4           | \$ 18.57     | \$ 18.53      | \$ 18.53    | \$ 18.53    | \$ 18.57    | \$ 18.57    | \$ 18.61  |
|  | 10          | \$ 26.80     | \$ 26.80      | \$ 26.94    | \$ 27.07    | \$ 27.22    | \$ 27.36    | \$ 27.45  |
|  | 20          | \$ 40.51     | \$ 40.57      | \$ 40.93    | \$ 41.30    | \$ 41.62    | \$ 41.99    | \$ 42.17  |
|  | 30          | \$ 54.22     | \$ 54.33      | \$ 54.93    | \$ 55.53    | \$ 56.02    | \$ 56.63    | \$ 56.90  |
|  | 40          | \$ 67.93     | \$ 68.10      | \$ 68.93    | \$ 69.76    | \$ 70.42    | \$ 71.26    | \$ 71.62  |
|  | 50          | \$ 79.01     | \$ 79.16      | \$ 80.09    | \$ 81.02    | \$ 81.81    | \$ 82.76    | \$ 83.21  |
|  | 60          | \$ 90.08     | \$ 90.20      | \$ 91.25    | \$ 92.29    | \$ 93.19    | \$ 94.24    | \$ 94.77  |
|  | 70          | \$ 101.16    | \$ 101.26     | \$ 102.41   | \$ 103.55   | \$ 104.59   | \$ 105.74   | \$ 106.36 |
|  | 80          | \$ 112.23    | \$ 112.31     | \$ 113.56   | \$ 114.80   | \$ 115.97   | \$ 117.22   | \$ 117.93 |
|  | 90          | \$ 123.32    | \$ 123.38     | \$ 124.73   | \$ 126.08   | \$ 127.37   | \$ 128.73   | \$ 129.53 |
|  | 100         | \$ 134.39    | \$ 134.42     | \$ 135.87   | \$ 137.33   | \$ 138.75   | \$ 140.22   | \$ 141.11 |
|  | 125         | \$ 162.08    | \$ 162.05     | \$ 163.77   | \$ 165.48   | \$ 167.22   | \$ 168.95   | \$ 170.06 |
|  | 150         | \$ 189.77    | \$ 189.69     | \$ 191.65   | \$ 193.62   | \$ 195.69   | \$ 197.68   | \$ 199.02 |
|  | 175         | \$ 217.46    | \$ 217.31     | \$ 219.54   | \$ 221.78   | \$ 224.16   | \$ 226.41   | \$ 227.97 |
|  | 200         | \$ 245.15    | \$ 244.95     | \$ 247.43   | \$ 249.93   | \$ 252.63   | \$ 255.14   | \$ 256.92 |
|  | 250         | \$ 300.54    | \$ 300.23     | \$ 303.22   | \$ 306.23   | \$ 309.58   | \$ 312.61   | \$ 314.84 |
|  | 300         | \$ 355.91    | \$ 355.48     | \$ 358.99   | \$ 362.53   | \$ 366.51   | \$ 370.06   | \$ 372.73 |
|  | 350         | \$ 411.30    | \$ 410.76     | \$ 414.78   | \$ 418.83   | \$ 423.46   | \$ 427.53   | \$ 430.65 |
|  | 400         | \$ 466.67    | \$ 466.01     | \$ 470.55   | \$ 475.13   | \$ 480.39   | \$ 484.98   | \$ 488.54 |
| 500  | \$ 577.44   | \$ 576.55    | \$ 582.12     | \$ 587.74   | \$ 594.28   | \$ 599.91   | \$ 604.36   |           |
| 750  | \$ 854.35   | \$ 852.89    | \$ 861.03     | \$ 869.24   | \$ 878.99   | \$ 887.22   | \$ 893.90   |           |
| 1,000  | \$ 1,131.25 | \$ 1,129.21  | \$ 1,139.93   | \$ 1,150.75 | \$ 1,163.69 | \$ 1,174.52 | \$ 1,183.42 |           |
| 1,500  | \$ 1,685.06 | \$ 1,681.87  | \$ 1,697.74   | \$ 1,713.76 | \$ 1,733.10 | \$ 1,749.13 | \$ 1,762.48 |           |
| 2,000  | \$ 2,238.87 | \$ 2,234.53  | \$ 2,255.55   | \$ 2,276.77 | \$ 2,302.51 | \$ 2,323.74 | \$ 2,341.54 |           |
| 3,000  | \$ 3,370.12 | \$ 3,363.48  | \$ 3,394.80   | \$ 3,426.42 | \$ 3,464.96 | \$ 3,496.59 | \$ 3,523.29 |           |
| 5,000  | \$ 5,609.00 | \$ 5,597.76  | \$ 5,649.68   | \$ 5,702.10 | \$ 5,766.24 | \$ 5,818.67 | \$ 5,863.17 |           |

| Monthly Bills <u>with</u> Credits for Varying Consumption for <u>SC 2</u> Sales Customers |                    |                     |                      |              |              |              |              |              |
|---|--------------------|---------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
|   | <u>Consumption</u> | <u>Current Bill</u> | <u>Proposed Bill</u> |              |              |              |              |              |
|   |                    |                     | <u>RY1</u>           | <u>RY2</u>   | <u>RY3</u>   | <u>Yr 4</u>  | <u>Yr 5</u>  | <u>Yr 6</u>  |
| Assumes SBC<br>Credit   | 0                  | \$ 25.00            | \$ 25.00             | \$ 25.00     | \$ 25.00     | \$ 25.00     | \$ 25.00     | \$ 25.00     |
|   | 4                  | \$ 28.56            | \$ 28.52             | \$ 28.52     | \$ 28.52     | \$ 28.56     | \$ 28.56     | \$ 28.57     |
|   | 10                 | \$ 36.63            | \$ 36.61             | \$ 36.71     | \$ 36.82     | \$ 36.95     | \$ 37.05     | \$ 37.08     |
|   | 40                 | \$ 77.01            | \$ 77.04             | \$ 77.70     | \$ 78.35     | \$ 78.96     | \$ 79.52     | \$ 79.66     |
|   | 70                 | \$ 117.39           | \$ 117.48            | \$ 118.69    | \$ 119.88    | \$ 120.96    | \$ 121.98    | \$ 122.22    |
|   | 100                | \$ 149.96           | \$ 149.92            | \$ 151.37    | \$ 152.79    | \$ 154.23    | \$ 155.45    | \$ 155.79    |
|   | 150                | \$ 204.25           | \$ 204.00            | \$ 205.83    | \$ 207.64    | \$ 209.68    | \$ 211.23    | \$ 211.74    |
|   | 200                | \$ 258.54           | \$ 258.07            | \$ 260.31    | \$ 262.50    | \$ 265.13    | \$ 267.02    | \$ 267.70    |
|   | 250                | \$ 312.83           | \$ 312.15            | \$ 314.77    | \$ 317.35    | \$ 320.58    | \$ 322.80    | \$ 323.65    |
|   | 300                | \$ 367.12           | \$ 366.22            | \$ 369.25    | \$ 372.21    | \$ 376.03    | \$ 378.59    | \$ 379.61    |
|   | 350                | \$ 421.42           | \$ 420.31            | \$ 423.72    | \$ 427.07    | \$ 431.49    | \$ 434.38    | \$ 435.57    |
|   | 400                | \$ 475.70           | \$ 474.37            | \$ 478.19    | \$ 481.92    | \$ 486.93    | \$ 490.16    | \$ 491.52    |
|   | 500                | \$ 584.29           | \$ 582.53            | \$ 587.14    | \$ 591.64    | \$ 597.84    | \$ 601.74    | \$ 603.44    |
|   | 750                | \$ 855.75           | \$ 852.92            | \$ 859.49    | \$ 865.92    | \$ 875.10    | \$ 880.67    | \$ 883.22    |
|   | 1,000              | \$ 1,127.20         | \$ 1,123.29          | \$ 1,131.85  | \$ 1,140.20  | \$ 1,152.35  | \$ 1,159.60  | \$ 1,163.00  |
|   | 1,500              | \$ 1,670.11         | \$ 1,664.05          | \$ 1,676.56  | \$ 1,688.76  | \$ 1,706.86  | \$ 1,717.46  | \$ 1,722.56  |
| 2,000   | \$ 2,213.02        | \$ 2,204.81         | \$ 2,221.27          | \$ 2,237.32  | \$ 2,261.37  | \$ 2,275.32  | \$ 2,282.12  |              |
| 3,000   | \$ 3,298.85        | \$ 3,286.34         | \$ 3,310.70          | \$ 3,334.45  | \$ 3,370.40  | \$ 3,391.05  | \$ 3,401.25  |              |
| 5,000   | \$ 5,470.50        | \$ 5,449.39         | \$ 5,489.55          | \$ 5,528.70  | \$ 5,588.45  | \$ 5,622.50  | \$ 5,639.50  |              |
| Assumes No SBC<br>Credit  | 10,000             | \$ 10,266.62        | \$ 10,298.51         | \$ 10,351.67 | \$ 10,404.32 | \$ 10,425.07 | \$ 10,470.62 | \$ 10,504.62 |
|   | 15,000             | \$ 15,062.75        | \$ 15,102.64         | \$ 15,169.30 | \$ 15,235.45 | \$ 15,261.70 | \$ 15,318.75 | \$ 15,369.75 |
|   | 20,000             | \$ 19,858.87        | \$ 19,906.76         | \$ 19,986.92 | \$ 20,066.57 | \$ 20,098.32 | \$ 20,166.87 | \$ 20,234.87 |
|   | 30,000             | \$ 29,451.12        | \$ 29,515.01         | \$ 29,622.17 | \$ 29,728.82 | \$ 29,771.57 | \$ 29,863.12 | \$ 29,965.12 |
|   | 50,000             | \$ 48,635.62        | \$ 48,731.51         | \$ 48,892.67 | \$ 49,053.32 | \$ 49,118.07 | \$ 49,255.62 | \$ 49,425.62 |
|   | 100,000            | \$ 95,471.87        | \$ 95,567.76         | \$ 95,728.92 | \$ 95,889.57 | \$ 95,954.32 | \$ 96,091.87 | \$ 96,431.87 |

| Monthly Bills <b>with</b> Credits for Varying Consumption for <u>SC 2</u> Transportation Customers |                    |                     |                      |              |              |              |              |              |
|--|--------------------|---------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
|  | <u>Consumption</u> | <u>Current Bill</u> | <u>Proposed Bill</u> |              |              |              |              |              |
|  |                    |                     | <u>RY1</u>           | <u>RY2</u>   | <u>RY3</u>   | <u>Yr 4</u>  | <u>Yr 5</u>  | <u>Yr 6</u>  |
| Assumes SBC<br>Credit  | 0                  | \$ 25.00            | \$ 25.00             | \$ 25.00     | \$ 25.00     | \$ 25.00     | \$ 25.00     | \$ 25.00     |
|  | 4                  | \$ 25.40            | \$ 25.36             | \$ 25.36     | \$ 25.36     | \$ 25.40     | \$ 25.40     | \$ 25.41     |
|  | 10                 | \$ 28.76            | \$ 28.74             | \$ 28.84     | \$ 28.95     | \$ 29.08     | \$ 29.18     | \$ 29.21     |
|  | 40                 | \$ 45.47            | \$ 45.50             | \$ 46.16     | \$ 46.81     | \$ 47.42     | \$ 47.98     | \$ 48.12     |
|  | 70                 | \$ 62.20            | \$ 62.29             | \$ 63.50     | \$ 64.69     | \$ 65.77     | \$ 66.79     | \$ 67.03     |
|  | 100                | \$ 71.12            | \$ 71.08             | \$ 72.53     | \$ 73.95     | \$ 75.39     | \$ 76.61     | \$ 76.95     |
|  | 150                | \$ 86.00            | \$ 85.75             | \$ 87.58     | \$ 89.39     | \$ 91.43     | \$ 92.98     | \$ 93.49     |
|  | 200                | \$ 100.86           | \$ 100.39            | \$ 102.63    | \$ 104.82    | \$ 107.45    | \$ 109.34    | \$ 110.02    |
|  | 250                | \$ 115.74           | \$ 115.06            | \$ 117.68    | \$ 120.26    | \$ 123.49    | \$ 125.71    | \$ 126.56    |
|  | 300                | \$ 130.60           | \$ 129.70            | \$ 132.73    | \$ 135.69    | \$ 139.51    | \$ 142.07    | \$ 143.09    |
|  | 350                | \$ 145.48           | \$ 144.37            | \$ 147.78    | \$ 151.13    | \$ 155.55    | \$ 158.44    | \$ 159.63    |
|  | 400                | \$ 160.34           | \$ 159.01            | \$ 162.83    | \$ 166.56    | \$ 171.57    | \$ 174.80    | \$ 176.16    |
|  | 500                | \$ 190.09           | \$ 188.33            | \$ 192.94    | \$ 197.44    | \$ 203.64    | \$ 207.54    | \$ 209.24    |
|  | 750                | \$ 264.45           | \$ 261.62            | \$ 268.19    | \$ 274.62    | \$ 283.80    | \$ 289.37    | \$ 291.92    |
|  | 1,000              | \$ 338.80           | \$ 334.89            | \$ 343.45    | \$ 351.80    | \$ 363.95    | \$ 371.20    | \$ 374.60    |
|  | 1,500              | \$ 487.52           | \$ 481.46            | \$ 493.97    | \$ 506.17    | \$ 524.27    | \$ 534.87    | \$ 539.97    |
|  | 2,000              | \$ 636.23           | \$ 628.02            | \$ 644.48    | \$ 660.53    | \$ 684.58    | \$ 698.53    | \$ 705.33    |
| 3,000  | \$ 933.66          | \$ 921.15           | \$ 945.51            | \$ 969.26    | \$ 1,005.21  | \$ 1,025.86  | \$ 1,036.06  |              |
| 5,000  | \$ 1,528.51        | \$ 1,507.40         | \$ 1,547.56          | \$ 1,586.71  | \$ 1,646.46  | \$ 1,680.51  | \$ 1,697.51  |              |
| Assumes No SBC<br>Credit   | 10,000             | \$ 2,382.65         | \$ 2,414.54          | \$ 2,467.70  | \$ 2,520.35  | \$ 2,541.10  | \$ 2,586.65  | \$ 2,620.65  |
|  | 15,000             | \$ 3,236.79         | \$ 3,276.68          | \$ 3,343.34  | \$ 3,409.49  | \$ 3,435.74  | \$ 3,492.79  | \$ 3,543.79  |
|  | 20,000             | \$ 4,090.93         | \$ 4,138.82          | \$ 4,218.98  | \$ 4,298.63  | \$ 4,330.38  | \$ 4,398.93  | \$ 4,466.93  |
|  | 30,000             | \$ 5,799.21         | \$ 5,863.10          | \$ 5,970.26  | \$ 6,076.91  | \$ 6,119.66  | \$ 6,211.21  | \$ 6,313.21  |
|  | 50,000             | \$ 9,215.77         | \$ 9,311.66          | \$ 9,472.82  | \$ 9,633.47  | \$ 9,698.22  | \$ 9,835.77  | \$ 10,005.77 |
|  | 100,000            | \$ 16,632.17        | \$ 16,728.06         | \$ 16,889.22 | \$ 17,049.87 | \$ 17,114.62 | \$ 17,252.17 | \$ 17,592.17 |

| Monthly Bills <b>without</b> Credits for Varying Consumption for SC 1 Sales Customers |             |              |               |             |             |             |             |             |
|---|-------------|--------------|---------------|-------------|-------------|-------------|-------------|-------------|
|   | Consumption | Current Bill | Proposed Bill |             |             |             |             |             |
|   |             |              | RY1           | RY2         | RY3         | Yr 4        | Yr 5        | Yr 6        |
|   | 0           | \$ 15.00     | \$ 15.00      | \$ 15.00    | \$ 15.00    | \$ 15.00    | \$ 15.00    | \$ 15.00    |
|   | 4           | \$ 18.57     | \$ 18.61      | \$ 18.61    | \$ 18.61    | \$ 18.61    | \$ 18.61    | \$ 18.61    |
|   | 10          | \$ 26.80     | \$ 27.11      | \$ 27.31    | \$ 27.45    | \$ 27.45    | \$ 27.45    | \$ 27.45    |
|   | 20          | \$ 40.51     | \$ 41.27      | \$ 41.80    | \$ 42.17    | \$ 42.17    | \$ 42.17    | \$ 42.17    |
|   | 30          | \$ 54.22     | \$ 55.44      | \$ 56.29    | \$ 56.90    | \$ 56.90    | \$ 56.90    | \$ 56.90    |
|   | 40          | \$ 67.93     | \$ 69.60      | \$ 70.78    | \$ 71.62    | \$ 71.62    | \$ 71.62    | \$ 71.62    |
|   | 50          | \$ 79.01     | \$ 80.93      | \$ 82.26    | \$ 83.21    | \$ 83.21    | \$ 83.21    | \$ 83.21    |
|   | 60          | \$ 90.08     | \$ 92.25      | \$ 93.72    | \$ 94.77    | \$ 94.77    | \$ 94.77    | \$ 94.77    |
|   | 70          | \$ 101.16    | \$ 103.58     | \$ 105.20   | \$ 106.36   | \$ 106.36   | \$ 106.36   | \$ 106.36   |
|   | 80          | \$ 112.23    | \$ 114.91     | \$ 116.67   | \$ 117.93   | \$ 117.93   | \$ 117.93   | \$ 117.93   |
|   | 90          | \$ 123.32    | \$ 126.25     | \$ 128.17   | \$ 129.53   | \$ 129.53   | \$ 129.53   | \$ 129.53   |
|   | 100         | \$ 134.39    | \$ 137.57     | \$ 139.64   | \$ 141.11   | \$ 141.11   | \$ 141.11   | \$ 141.11   |
|   | 125         | \$ 162.08    | \$ 165.89     | \$ 168.32   | \$ 170.06   | \$ 170.06   | \$ 170.06   | \$ 170.06   |
|   | 150         | \$ 189.77    | \$ 194.22     | \$ 197.02   | \$ 199.02   | \$ 199.02   | \$ 199.02   | \$ 199.02   |
|   | 175         | \$ 217.46    | \$ 222.54     | \$ 225.71   | \$ 227.97   | \$ 227.97   | \$ 227.97   | \$ 227.97   |
|   | 200         | \$ 245.15    | \$ 250.86     | \$ 254.40   | \$ 256.92   | \$ 256.92   | \$ 256.92   | \$ 256.92   |
|   | 250         | \$ 300.54    | \$ 307.52     | \$ 311.79   | \$ 314.84   | \$ 314.84   | \$ 314.84   | \$ 314.84   |
|   | 300         | \$ 355.91    | \$ 364.15     | \$ 369.16   | \$ 372.73   | \$ 372.73   | \$ 372.73   | \$ 372.73   |
|   | 350         | \$ 411.30    | \$ 420.81     | \$ 426.55   | \$ 430.65   | \$ 430.65   | \$ 430.65   | \$ 430.65   |
|   | 400         | \$ 466.67    | \$ 477.44     | \$ 483.92   | \$ 488.54   | \$ 488.54   | \$ 488.54   | \$ 488.54   |
|   | 500         | \$ 577.44    | \$ 590.74     | \$ 598.69   | \$ 604.36   | \$ 604.36   | \$ 604.36   | \$ 604.36   |
|   | 750         | \$ 854.35    | \$ 873.98     | \$ 885.60   | \$ 893.90   | \$ 893.90   | \$ 893.90   | \$ 893.90   |
|   | 1,000       | \$ 1,131.25  | \$ 1,157.20   | \$ 1,172.50 | \$ 1,183.42 | \$ 1,183.42 | \$ 1,183.42 | \$ 1,183.42 |
|   | 1,500       | \$ 1,685.06  | \$ 1,723.66   | \$ 1,746.31 | \$ 1,762.48 | \$ 1,762.48 | \$ 1,762.48 | \$ 1,762.48 |
|   | 2,000       | \$ 2,238.87  | \$ 2,290.12   | \$ 2,320.12 | \$ 2,341.54 | \$ 2,341.54 | \$ 2,341.54 | \$ 2,341.54 |
|   | 3,000       | \$ 3,370.12  | \$ 3,446.67   | \$ 3,491.37 | \$ 3,523.29 | \$ 3,523.29 | \$ 3,523.29 | \$ 3,523.29 |
|   | 5,000       | \$ 5,609.00  | \$ 5,736.15   | \$ 5,810.25 | \$ 5,863.17 | \$ 5,863.17 | \$ 5,863.17 | \$ 5,863.17 |

| Monthly Bills <b>without</b> Credits for Varying Consumption for SC 2 Sales Customers |                    |                     |                      |              |              |              |              |              |
|---|--------------------|---------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
|   | <u>Consumption</u> | <u>Current Bill</u> | <u>Proposed Bill</u> |              |              |              |              |              |
|   |                    |                     | <u>RY1</u>           | <u>RY2</u>   | <u>RY3</u>   | <u>Yr 4</u>  | <u>Yr 5</u>  | <u>Yr 6</u>  |
|   | 0                  | \$ 25.00            | \$ 25.00             | \$ 25.00     | \$ 25.00     | \$ 25.00     | \$ 25.00     | \$ 25.00     |
|   | 4                  | \$ 28.56            | \$ 28.57             | \$ 28.57     | \$ 28.57     | \$ 28.57     | \$ 28.57     | \$ 28.57     |
|   | 10                 | \$ 36.63            | \$ 36.83             | \$ 36.98     | \$ 37.08     | \$ 37.08     | \$ 37.08     | \$ 37.08     |
|   | 40                 | \$ 77.01            | \$ 78.17             | \$ 79.06     | \$ 79.66     | \$ 79.66     | \$ 79.66     | \$ 79.66     |
|   | 70                 | \$ 117.39           | \$ 119.49            | \$ 121.13    | \$ 122.22    | \$ 122.22    | \$ 122.22    | \$ 122.22    |
|   | 100                | \$ 149.96           | \$ 152.52            | \$ 154.48    | \$ 155.79    | \$ 155.79    | \$ 155.79    | \$ 155.79    |
|   | 150                | \$ 204.25           | \$ 207.59            | \$ 210.08    | \$ 211.74    | \$ 211.74    | \$ 211.74    | \$ 211.74    |
|   | 200                | \$ 258.54           | \$ 262.65            | \$ 265.68    | \$ 267.70    | \$ 267.70    | \$ 267.70    | \$ 267.70    |
|   | 250                | \$ 312.83           | \$ 317.72            | \$ 321.28    | \$ 323.65    | \$ 323.65    | \$ 323.65    | \$ 323.65    |
|   | 300                | \$ 367.12           | \$ 372.78            | \$ 376.88    | \$ 379.61    | \$ 379.61    | \$ 379.61    | \$ 379.61    |
|   | 350                | \$ 421.42           | \$ 427.86            | \$ 432.49    | \$ 435.57    | \$ 435.57    | \$ 435.57    | \$ 435.57    |
|   | 400                | \$ 475.70           | \$ 482.91            | \$ 488.08    | \$ 491.52    | \$ 491.52    | \$ 491.52    | \$ 491.52    |
|   | 500                | \$ 584.29           | \$ 593.05            | \$ 599.29    | \$ 603.44    | \$ 603.44    | \$ 603.44    | \$ 603.44    |
|   | 750                | \$ 855.75           | \$ 868.39            | \$ 877.30    | \$ 883.22    | \$ 883.22    | \$ 883.22    | \$ 883.22    |
|   | 1,000              | \$ 1,127.20         | \$ 1,143.71          | \$ 1,155.30  | \$ 1,163.00  | \$ 1,163.00  | \$ 1,163.00  | \$ 1,163.00  |
|   | 1,500              | \$ 1,670.11         | \$ 1,694.37          | \$ 1,711.31  | \$ 1,722.56  | \$ 1,722.56  | \$ 1,722.56  | \$ 1,722.56  |
|   | 2,000              | \$ 2,213.02         | \$ 2,245.03          | \$ 2,267.32  | \$ 2,282.12  | \$ 2,282.12  | \$ 2,282.12  | \$ 2,282.12  |
|   | 3,000              | \$ 3,298.85         | \$ 3,346.36          | \$ 3,379.35  | \$ 3,401.25  | \$ 3,401.25  | \$ 3,401.25  | \$ 3,401.25  |
|   | 5,000              | \$ 5,470.50         | \$ 5,549.01          | \$ 5,603.40  | \$ 5,639.50  | \$ 5,639.50  | \$ 5,639.50  | \$ 5,639.50  |
|   | 10,000             | \$ 10,266.62        | \$ 10,383.13         | \$ 10,456.02 | \$ 10,504.62 | \$ 10,504.62 | \$ 10,504.62 | \$ 10,504.62 |
|   | 15,000             | \$ 15,062.75        | \$ 15,217.26         | \$ 15,308.65 | \$ 15,369.75 | \$ 15,369.75 | \$ 15,369.75 | \$ 15,369.75 |
|   | 20,000             | \$ 19,858.87        | \$ 20,051.38         | \$ 20,161.27 | \$ 20,234.87 | \$ 20,234.87 | \$ 20,234.87 | \$ 20,234.87 |
|   | 30,000             | \$ 29,451.12        | \$ 29,719.63         | \$ 29,866.52 | \$ 29,965.12 | \$ 29,965.12 | \$ 29,965.12 | \$ 29,965.12 |
|   | 50,000             | \$ 48,635.62        | \$ 49,056.13         | \$ 49,277.02 | \$ 49,425.62 | \$ 49,425.62 | \$ 49,425.62 | \$ 49,425.62 |
|   | 100,000            | \$ 95,471.87        | \$ 96,062.38         | \$ 96,283.27 | \$ 96,431.87 | \$ 96,431.87 | \$ 96,431.87 | \$ 96,431.87 |

| Monthly Bills <b>without</b> Credits for Varying Consumption for <u>SC 2</u> Transportation Customers |              |               |              |              |              |              |              |              |
|---|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Consumption   | Current Bill | Proposed Bill |              |              |              |              |              |              |
|   |              | <u>RY1</u>    | <u>RY2</u>   | <u>RY3</u>   | <u>Yr 4</u>  | <u>Yr 5</u>  | <u>Yr 6</u>  |              |
| 0   | \$ 25.00     | \$ 25.00      | \$ 25.00     | \$ 25.00     | \$ 25.00     | \$ 25.00     | \$ 25.00     | \$ 25.00     |
| 4   | \$ 25.40     | \$ 25.41      | \$ 25.41     | \$ 25.41     | \$ 25.41     | \$ 25.41     | \$ 25.41     | \$ 25.41     |
| 10  | \$ 28.76     | \$ 28.96      | \$ 29.11     | \$ 29.21     | \$ 29.21     | \$ 29.21     | \$ 29.21     | \$ 29.21     |
| 40  | \$ 45.47     | \$ 46.63      | \$ 47.52     | \$ 48.12     | \$ 48.12     | \$ 48.12     | \$ 48.12     | \$ 48.12     |
| 70  | \$ 62.20     | \$ 64.30      | \$ 65.94     | \$ 67.03     | \$ 67.03     | \$ 67.03     | \$ 67.03     | \$ 67.03     |
| 100   | \$ 71.12     | \$ 73.68      | \$ 75.64     | \$ 76.95     | \$ 76.95     | \$ 76.95     | \$ 76.95     | \$ 76.95     |
| 150   | \$ 86.00     | \$ 89.34      | \$ 91.83     | \$ 93.49     | \$ 93.49     | \$ 93.49     | \$ 93.49     | \$ 93.49     |
| 200   | \$ 100.86    | \$ 104.97     | \$ 108.00    | \$ 110.02    | \$ 110.02    | \$ 110.02    | \$ 110.02    | \$ 110.02    |
| 250   | \$ 115.74    | \$ 120.63     | \$ 124.19    | \$ 126.56    | \$ 126.56    | \$ 126.56    | \$ 126.56    | \$ 126.56    |
| 300   | \$ 130.60    | \$ 136.26     | \$ 140.36    | \$ 143.09    | \$ 143.09    | \$ 143.09    | \$ 143.09    | \$ 143.09    |
| 350   | \$ 145.48    | \$ 151.92     | \$ 156.55    | \$ 159.63    | \$ 159.63    | \$ 159.63    | \$ 159.63    | \$ 159.63    |
| 400   | \$ 160.34    | \$ 167.55     | \$ 172.72    | \$ 176.16    | \$ 176.16    | \$ 176.16    | \$ 176.16    | \$ 176.16    |
| 500   | \$ 190.09    | \$ 198.85     | \$ 205.09    | \$ 209.24    | \$ 209.24    | \$ 209.24    | \$ 209.24    | \$ 209.24    |
| 750   | \$ 264.45    | \$ 277.09     | \$ 286.00    | \$ 291.92    | \$ 291.92    | \$ 291.92    | \$ 291.92    | \$ 291.92    |
| 1,000   | \$ 338.80    | \$ 355.31     | \$ 366.90    | \$ 374.60    | \$ 374.60    | \$ 374.60    | \$ 374.60    | \$ 374.60    |
| 1,500   | \$ 487.52    | \$ 511.78     | \$ 528.72    | \$ 539.97    | \$ 539.97    | \$ 539.97    | \$ 539.97    | \$ 539.97    |
| 2,000   | \$ 636.23    | \$ 668.24     | \$ 690.53    | \$ 705.33    | \$ 705.33    | \$ 705.33    | \$ 705.33    | \$ 705.33    |
| 3,000   | \$ 933.66    | \$ 981.17     | \$ 1,014.16  | \$ 1,036.06  | \$ 1,036.06  | \$ 1,036.06  | \$ 1,036.06  | \$ 1,036.06  |
| 5,000   | \$ 1,528.51  | \$ 1,607.02   | \$ 1,661.41  | \$ 1,697.51  | \$ 1,697.51  | \$ 1,697.51  | \$ 1,697.51  | \$ 1,697.51  |
| 10,000  | \$ 2,382.65  | \$ 2,499.16   | \$ 2,572.05  | \$ 2,620.65  | \$ 2,620.65  | \$ 2,620.65  | \$ 2,620.65  | \$ 2,620.65  |
| 15,000  | \$ 3,236.79  | \$ 3,391.30   | \$ 3,482.69  | \$ 3,543.79  | \$ 3,543.79  | \$ 3,543.79  | \$ 3,543.79  | \$ 3,543.79  |
| 20,000  | \$ 4,090.93  | \$ 4,283.44   | \$ 4,393.33  | \$ 4,466.93  | \$ 4,466.93  | \$ 4,466.93  | \$ 4,466.93  | \$ 4,466.93  |
| 30,000  | \$ 5,799.21  | \$ 6,067.72   | \$ 6,214.61  | \$ 6,313.21  | \$ 6,313.21  | \$ 6,313.21  | \$ 6,313.21  | \$ 6,313.21  |
| 50,000  | \$ 9,215.77  | \$ 9,636.28   | \$ 9,857.17  | \$ 10,005.77 | \$ 10,005.77 | \$ 10,005.77 | \$ 10,005.77 | \$ 10,005.77 |
| 100,000   | \$ 16,632.17 | \$ 17,222.68  | \$ 17,443.57 | \$ 17,592.17 | \$ 17,592.17 | \$ 17,592.17 | \$ 17,592.17 | \$ 17,592.17 |

**St. Lawrence Gas Company**  
**Example of Safety and Reliability Surcharge (SRS) Mechanism Calculation**

|   |            |                             |
|---|------------|-----------------------------|
| Total Cost of Project   | a          | 2,085,000 <sup>1</sup>      |
| Total Retirements   | b          | -                           |
| Net Additions After Retirements                                   | c = a - b  | <u>\$2,085,000</u>          |
| Book Depreciation Rate  | d          | 1.72%                       |
| Book Depreciation Year 1  | e = c * d  | 35,862                      |
| <b>Tax Depreciation Year 1 (25 year public utility property )</b> | f = c / 25 | 83,400                      |
| Deferred taxes at 38.29%  | g = f - e  | 18,202                      |
| Net Rate Base Equals:   |            |                             |
| Cost of Additions   |            | 2,085,000                   |
| Less Retirements  |            | -                           |
| Less ADIT (Deferred Income Taxes )                                |            | (18,202)                    |
| Less Depreciation Reserve   |            | <u>(35,862)</u>             |
| Net Rate Base   | h          | <u>2,030,936</u>            |
| PRE TAX RATE OF RETURN =  | i          | <u>8.04%</u>                |
| REVENUE REQUIREMENT ON RATE BASE                                  | j = h * i  | 163,287                     |
| ANNUAL DEPRECIATION =   | k          | <u>35,862</u>               |
| TOTAL REVENUE REQUIREMENT (RATE BASE & DEPRECIATION)              | l = j + k  | 199,149                     |
| TOTAL O&M COSTS (1/5 of \$1.073 MILLION)                          | m          | <u>214,600 <sup>2</sup></u> |
| TOTAL REVENUE REQUIREMENT AND TOTAL O&M                           | n = l + m  | 413,749                     |
| Expected Metered Throughput June 2016 through May 2017            | o          | 59,916,022 <sup>3</sup>     |
| SRS for 2016 Capital Expenditures and O&M Expense                 | p = n / o  | \$ 0.00691                  |

## Note:

- <sup>1</sup> Maximum Amount Allowed For All Projects \$ 2,085,000  
<sup>2</sup> O&M cost totaling \$1.073 million collected over 5 years \$ 214,600  
<sup>3</sup> Expected Metered Throughput from ALL Customers



St. Lawrence Gas Corporation  
**Capital Structure and Cost Details (Rate of Return)**  
 For the Rate Years Ending May 31, 2017, 2018, 2019

|                            |               |            |       |                  |       |
|----------------------------|---------------|------------|-------|------------------|-------|
| Assumed Rate Base - Year 1 | \$ 26,698,472 | Year 1 ROR | 5.48% | Yr 1 Pre-tax ROR | 8.04% |
| Assumed Rate Base - Year 2 | \$ 29,162,277 | Year 2 ROR | 5.44% | Yr 2 Pre-tax ROR | 8.01% |
| Assumed Rate Base - Year 3 | \$ 30,314,521 | Year 3 ROR | 5.43% | Yr 3 Pre-tax ROR | 7.99% |

|                    |                  |
|--------------------|------------------|
| Effective Tax Rate | Retention Factor |
| 37.23%             | 62.77%           |

| Rate Year 1 (May 2017)   | Capital Structure    | Percentage of Capital | Cost Rate | Weighted After Tax Cost | Pre-Tax Cost | % Capital Structure |
|--------------------------|----------------------|-----------------------|-----------|-------------------------|--------------|---------------------|
| Long-term Debt           | 7,000,000            | 26.22%                | 2.980%    | 0.78%                   | 0.78%        |                     |
| Short-term Debt          | 6,449,587            | 24.16%                | 1.473%    | 0.36%                   | 0.36%        | 50.38% Debt         |
| Common Equity            | 12,815,267           | 48.00%                | 9.000%    | 4.32%                   | 6.88%        | 48.00% Equity       |
| Customer Deposits        | 433,618              | 1.62%                 | 1.150%    | 0.02%                   | 0.02%        | 1.62% CD            |
| <b>TOTAL - Rate Base</b> | <b>\$ 26,698,472</b> | <b>100.00%</b>        |           | <b>5.48%</b>            | <b>8.04%</b> | <b>100.00%</b>      |

| Rate Year 2 (May 2018)   | Capital Structure    | Percentage of Capital | Cost Rate | Weighted After Tax Cost | Pre-Tax Cost | % Capital Structure |
|--------------------------|----------------------|-----------------------|-----------|-------------------------|--------------|---------------------|
| Long-term Debt           | 7,000,000            | 24.00%                | 2.980%    | 0.72%                   | 0.72%        |                     |
| Short-term Debt          | 7,730,600            | 26.51%                | 1.473%    | 0.39%                   | 0.39%        | 50.51% Debt         |
| Common Equity            | 13,998,059           | 48.00%                | 9.000%    | 4.32%                   | 6.88%        | 48.00% Equity       |
| Customer Deposits        | 433,618              | 1.49%                 | 1.150%    | 0.02%                   | 0.02%        | 1.49% CD            |
| <b>TOTAL - Rate Base</b> | <b>\$ 29,162,277</b> | <b>100.00%</b>        |           | <b>5.44%</b>            | <b>8.01%</b> | <b>100.00%</b>      |

| Rate Year 3 (May 2019)   | Capital Structure    | Percentage of Capital | Cost Rate | Weighted After Tax Cost | Pre-Tax Cost | % Capital Structure |
|--------------------------|----------------------|-----------------------|-----------|-------------------------|--------------|---------------------|
| Long-term Debt           | 7,000,000            | 23.09%                | 2.980%    | 0.69%                   | 0.69%        |                     |
| Short-term Debt          | 8,329,933            | 27.48%                | 1.473%    | 0.40%                   | 0.40%        | 50.57% Debt         |
| Common Equity            | 14,550,970           | 48.00%                | 9.000%    | 4.32%                   | 6.88%        | 48.00% Equity       |
| Customer Deposits        | 433,618              | 1.43%                 | 1.150%    | 0.02%                   | 0.02%        | 1.43% CD            |
| <b>TOTAL - Rate Base</b> | <b>\$ 30,314,521</b> | <b>100.00%</b>        |           | <b>5.43%</b>            | <b>7.99%</b> | <b>100.00%</b>      |

## St. Lawrence Gas Corporation

| Earnings Sharing Mechanism (ESM) |                               |                          |                         |
|----------------------------------|-------------------------------|--------------------------|-------------------------|
|                                  | Earnings                      | Customers/<br>Ratepayers | Company<br>Shareholders |
| Tier 1                           | Up to 9.50% (dead band)       | 0%                       | 100%                    |
| Tier 2                           | above 9.50% and up to 10.00%  | 50%                      | 50%                     |
| Tier 3                           | above 10.00% and up to 10.50% | 80%                      | 20%                     |
| Tier 4                           | above 10.50%                  | 90%                      | 10%                     |

**St. Lawrence Gas Company**  
**Summary of Amortizations and Deferrals Schedule**  
**For the Rate Year Ended May 31, 2017**  
**Summary**

| Acct 186 Unamortized Deferrals | Balance<br>5/31/2016 | Monthly<br>Amort | Annual<br>Amort | Rate Year 1<br>Credits Used | Balance<br>5/31/2017 |
|--------------------------------|----------------------|------------------|-----------------|-----------------------------|----------------------|
| 2015 Rate Case                 | \$ 380,761           | \$ 10,577        | \$ 126,920      | \$ 87,381                   | \$ 293,380           |
| S&S Billing System             | 6,681                | 557              | 6,681           | 4,600                       | 2,081                |
| Property Tax True-up           | (694,835)            | (11,581)         | (138,967)       | (95,675)                    | (599,160)            |
| Low Income Rate                | (83,761)             | (2,327)          | (27,920)        | (19,222)                    | (64,539)             |
| Interest Rate True-up          | (935,661)            | (25,991)         | (311,887)       | (214,725)                   | (720,936)            |
| 2008 Rate Case                 | (227,778)            | (6,327)          | (75,926)        | (52,273)                    | (175,505)            |
| CC Gas in Storage              | (517,038)            | (14,362)         | (172,346)       | (118,655)                   | (398,383)            |
| Uncollectibles                 | (322,704)            | (8,964)          | (107,568)       | (74,057)                    | (248,647)            |
| PSC Assessment                 | (81,577)             | (2,266)          | (27,192)        | (18,721)                    | (62,856)             |
| Public Awareness and Education | (85,353)             | (2,371)          | (28,451)        | (19,588)                    | (65,765)             |
| Property Taxes                 | (105,053)            | (2,918)          | (35,018)        | (24,109)                    | (80,944)             |
| 2012 In-Line Inspection Costs  | 173,102              | 4,808            | 57,701          | 39,725                      | 133,377              |
|                                | \$ (2,493,216)       | \$ (61,164)      | \$ (733,974)    | \$ (505,319)                | \$ (1,987,897)       |

Credits Used in RY1

(505,319)

0.6885

| <u>Rate Base Component</u> |                       |
|----------------------------|-----------------------|
| 13 Point Average           | \$ (2,125,650)        |
| State                      | (138,167)             |
| Federal                    | (675,744)             |
|                            | <u>\$ (1,311,739)</u> |
| Difference                 | \$ (75,361)           |
| Staff Adjustment RY1       | (75,400)              |

**St. Lawrence Gas Company**  
**Summary of Amortizations and Deferrals Schedule**  
**For the Rate Year Ended May 31, 2018**  
**Summary**

| Acct 186 Unamortized Deferrals | Balance<br>5/31/2017 | Monthly<br>Amort | Annual<br>Amort | Rate Year 2<br>Credits Used | Balance<br>5/31/2018 |
|--------------------------------|----------------------|------------------|-----------------|-----------------------------|----------------------|
| 2015 Rate Case                 | \$ 293,380           | \$ 10,577        | \$ 126,920      | \$ 108,463                  | \$ 184,917           |
| S&S Billing System             | 2,081                | 173              | 2,081           | 1,778                       | 303                  |
| Property Tax True-up           | (599,160)            | (11,581)         | (138,967)       | (118,758)                   | (480,402)            |
| Low Income Rate                | (64,539)             | (2,327)          | (27,920)        | (23,860)                    | (40,679)             |
| Interest Rate True-up          | (720,936)            | (25,991)         | (311,887)       | (266,532)                   | (454,404)            |
| 2008 Rate Case                 | (175,505)            | (6,327)          | (75,926)        | (64,885)                    | (110,620)            |
| CC Gas in Storage              | (398,383)            | (14,362)         | (172,346)       | (147,283)                   | (251,100)            |
| Uncollectibles                 | (248,647)            | (8,964)          | (107,568)       | (91,925)                    | (156,721)            |
| PSC Assessment                 | (62,856)             | (2,266)          | (27,192)        | (23,238)                    | (39,618)             |
| Public Awareness and Education | (65,765)             | (2,371)          | (28,451)        | (24,314)                    | (41,452)             |
| Property Taxes                 | (80,944)             | (2,918)          | (35,018)        | (29,926)                    | (51,019)             |
| 2012 In-Line Inspection Costs  | 133,377              | 4,808            | 57,701          | 49,310                      | 84,067               |
|                                | \$ (1,987,897)       | \$ (61,548)      | \$ (738,573)    | \$ (631,169)                | \$ (1,356,728)       |

Credits Used in RY2

(631,169)

0.8546

| <u>Rate Base Component</u> |                     |
|----------------------------|---------------------|
| 13 Point Average           | \$ (1,385,580)      |
| State                      | (90,063)            |
| Federal                    | (440,476)           |
|                            | <u>\$ (855,041)</u> |
| RY1 Rate Base Balance      | \$ (1,311,739)      |
| RY2 Rate Base Balance      | <u>(855,041)</u>    |
| Staff Adjustment           | \$ 456,697          |

**St. Lawrence Gas Company**  
**Summary of Amortizations and Deferrals Schedule**  
**For the Rate Year Ended May 31, 2019**  
**Summary**

| Acct 186 Unamortized Deferrals | Balance<br>5/31/2018 | Monthly<br>Amort | Annual<br>Amort | Rate Year 3<br>Credits Used | Balance<br>5/31/2019 |
|--------------------------------|----------------------|------------------|-----------------|-----------------------------|----------------------|
| 2015 Rate Case                 | \$ 184,917           | \$ 10,577        | \$ 126,921      | \$ 108,203                  | \$ 76,714            |
| S&S Billing System             | 303                  | 25               | 303             | 258                         | 45                   |
| Property Tax True-up           | (480,402)            | (11,581)         | (138,967)       | (118,473)                   | (361,929)            |
| Low Income Rate                | (40,679)             | (2,327)          | (27,921)        | (23,803)                    | (16,875)             |
| Interest Rate True-up          | (454,404)            | (25,991)         | (311,887)       | (265,891)                   | (188,513)            |
| 2008 Rate Case                 | (110,620)            | (6,327)          | (75,926)        | (64,729)                    | (45,892)             |
| CC Gas in Storage              | (251,100)            | (14,362)         | (172,346)       | (146,929)                   | (104,170)            |
| Uncollectibles                 | (156,721)            | (8,964)          | (107,568)       | (91,704)                    | (65,017)             |
| PSC Assessment                 | (39,618)             | (2,266)          | (27,193)        | (23,183)                    | (16,435)             |
| Public Awareness and Education | (41,452)             | (2,371)          | (28,451)        | (24,255)                    | (17,197)             |
| Property Taxes                 | (51,019)             | (2,918)          | (35,018)        | (29,854)                    | (21,165)             |
| 2012 In-Line Inspection Costs  | 84,067               | 4,808            | 57,700          | 49,191                      | 34,876               |
|                                | \$ (1,356,728)       | \$ (61,696)      | \$ (740,353)    | \$ (631,169)                | \$ (725,559)         |

|                           |         |
|---------------------------|---------|
| P. Tax credits Out Year 1 | 138,967 |
| P. Tax credits Out Year 2 | 138,967 |

Credits Used in RY3  
(631,169)  
0.8525

|   |              |
|---|--------------|
| Credits available to be used in Out Years 1 & 2 | \$ (447,625) |
|---|--------------|

| <u>Rate Base Component</u> |                     |
|----------------------------|---------------------|
| 13 Point Average           | \$ (644,926)        |
| State                      | (41,920)            |
| Federal                    | (205,022)           |
|                            | <u>\$ (397,984)</u> |
| RY2 Rate Base Balance      | \$ (855,041)        |
| RY3 Rate Base Balance      | <u>(397,984)</u>    |
| Staff Adjustment           | \$ 457,058          |

**Gas Safety Performance Measures**  
St. Lawrence Gas Company, Inc.

For the Term of the Proposal, beginning in Calendar Year (“CY”) 2016 and until changed by the Commission, the Company shall be subject to the following gas safety performance measures. The Company will also be subject to negative revenue adjustments (“NRAs”) for failing to meet the performance targets described below.

**Leak Backlog Management**

Refers to the Company’s ability to monitor and schedule for repair existing leaks on its natural gas system. The year-end total leak backlog (Types 1, 2, 2A and 3) target for St. Lawrence in CY 2016, 2017 and 2018 is five (5) leaks. If the year-end total leak backlog exceeds this target, the Company will incur an NRA of 12 basis points.

**Emergency Response**

The emergency response time performance measure evaluates the Company’s response to gas leak, odor and emergency calls generated by the public and non-Company personnel (*i.e.*, police, fire, and municipal employees).

For CY 2016, 2017 and 2018, St. Lawrence will respond to:

- 1) 75% of all gas leak and odor calls within 30 minutes each calendar year. If St. Lawrence fails to meet this target, it will incur a 6 basis point NRA.
- 2) 90% of all gas leak and odor calls within 45 minutes each calendar year. If St. Lawrence fails to meet this target, it will incur a 4 basis point NRA.
- 3) 95% of all gas leak and odor calls within 60 minutes each calendar year. If St. Lawrence fails to meet this target, it will incur a 2 basis point NRA.

**Violations Performance Measure**

St. Lawrence will incur an NRA for instances of non-compliance (occurrences) of certain pipeline safety regulations set forth in 16 NYCRR Parts 255 and 261, as identified during Staff's annual field and record audits. This Appendix sets forth a list of identified "High Risk" and "Other Risk" pipeline safety regulations pertaining to this metric. The Company will be assessed an NRA for each High Risk or Other Risk occurrence, up to a combined maximum of: (1) 50 basis points for CY 2016; (2) 75 basis points for CY 2017 and (3) 100 basis points each CY thereafter as set forth in the table below:

| <b>Violation Type</b> | <b>NRA (basis points)</b> | <b>CY 2016 Target</b> | <b>NRA (basis points)</b> | <b>CY 2017 Target</b> | <b>CY 2018 Target</b> |
|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|-----------------------|
| <b>High Risk</b>      | 1/4                       | 1-25                  | 1/2                       | 1-20                  | 1-15                  |
|                       | 1/2                       | 26+                   | 1                         | 21+                   | 16+                   |
| <b>Other Risk</b>     | 1/9                       | 1-25                  | 1/9                       | 1-20                  | 1-15                  |
|                       | 1/3                       | 26+                   | 1/3                       | 21+                   | 16+                   |

The NRA will be incurred for each occurrence of a High Risk or Other Risk Gas Safety Violation.

This metric will be measured on a calendar year basis and will become effective January 1, 2017 (meaning, therefore, the 2017 audit of CY 2016 date will be the first applicable audit for these targets). At the conclusion of each audit, Staff will offer and hold a compliance meeting with the Company where Staff will present its findings to the Company. The Company will have ten (10) business days from the date the audit findings are presented to cure any identified document deficiency. Only official St. Lawrence records, as defined in the Company's Operating and Maintenance plan, will be considered by Staff as a cure to a document deficiency.

Staff will submit its final audit report to the Commission Secretary. If the Company disputes any of Staff's final audit results, the Company may appeal Staff's finding[s] to the Commission. The Company will not incur an NRA on the contested finding until such time as the Commission has issued a final decision on the contested findings.

**Damage Prevention**

St. Lawrence will be subject to the following gas Total Damage targets, Mismark targets, and Company/Company Contractor Damages (“CCCD”) and corresponding potential NRAs as follows:

- a) **Total Damages.** If the number of total damages to Company gas facilities made by any party exceeds the targets set forth below per 1,000 one-call tickets in calendar year 2016, 2017 and 2018, for each calendar year that the performance measure noted below is not attained, as directed by the Commission, the negative rate adjustment associated with such target will be accrued on the Company's books for the benefit of its customers.
- b) **Damages to Gas Facilities Resulting from Mismarks.** If the total number of damages to Company gas facilities resulting from mismarks made by the Company and its contractors with respect to the location of Company gas facilities exceeds the targets set forth below per 1,000 one-call tickets in calendar year 2016, 2017 and 2018, for each calendar year that the performance measure noted below is not attained, as directed by the Commission, the negative rate adjustment associated with such target will be accrued on the Company's books for the benefit of its customers.
- c) **Damages by Company Employees and Company Contractors.** If the total number of damages to Company gas facilities made by Company employees and Company contractors exceeds the targets set forth below per 1,000 one-call tickets in calendar year 2016, 2017 and 2018, for each calendar year that the performance measure noted below is not attained, as directed by the Commission, the negative rate adjustment associated with such target will be accrued on the Company's books for the benefit of its customers.

| Damage Type                               | Calendar Year End<br>(per 1,000 tickets) |      |      | NRA<br>(basis points) |
|---|--|------|------|-----------------------|
|   | 2016                                     | 2017 | 2018 |                       |
| Total Damages (+ No Calls and Excavators) | 3.0                                      | 3.0  | 3.0  | 4                     |
| Mismarks                                  | 0.37                                     | 0.35 | 0.33 | 10                    |
| CCCD                                      | 0.25                                     | 0.25 | 0.20 | 4                     |

For the NRA to be assessed in any one year, the previous three years cumulative damage rate (sum of damages/sum of one-call tickets) must also exceed the target.



**Reporting Requirements**

The Company will file its annual performance report in each of the areas set forth in this Appendix to the Secretary of the Commission no later than 30 days following the end of each calendar year.

| <b>HIGH RISK SECTIONS PART 255</b>   |                     |                    |
|--|---------------------|--------------------|
| <b>ACTIVITY TITLE</b>  | <b>CODE SECTION</b> | <b>RISK FACTOR</b> |
| Material - General   | 255.53(a),(b),(c)   | HIGH               |
| Transportation of Pipe   | 255.65              | HIGH               |
| Pipe Design - General  | 255.103             | HIGH               |
| Design of Components - General Requirements                                      | 255.143             | HIGH               |
| Design of Components - Flexibility   | 255.159             | HIGH               |
| Design of Components - Supports and anchors                                      | 255.161             | HIGH               |
| Compressor Stations: Emergency shutdown  | 255.167             | HIGH               |
| Compressor Stations: Pressure limiting devices                                   | 255.169             | HIGH               |
| Compressor Stations: Ventilation   | 255.173             | HIGH               |
| Valves on pipelines to operate at 125 psig or more                               | 255.179             | HIGH               |
| Distribution line valves   | 255.181             | HIGH               |
| Vaults: Structural Design requirements   | 255.183             | HIGH               |
| Vaults: Drainage and waterproofing   | 255.189             | HIGH               |
| Protection against accidental overpressuring                                     | 255.195             | HIGH               |
| Control of the pressure of gas delivered from high pressure distribution systems | 255.197             | HIGH               |
| Requirements for design of pressure relief and limiting devices                  | 255.199             | HIGH               |
| Required capacity of pressure relieving and limiting stations                    | 255.201             | HIGH               |
| Qualification of welding procedures  | 255.225             | HIGH               |
| Qualification of Welders   | 255.227             | HIGH               |
| Protection from weather  | 255.231             | HIGH               |
| Miter Joints   | 255.233             | HIGH               |
| Preparation for welding  | 255.235             | HIGH               |
| Inspection and test of welds   | 255.241(a),(b)      | HIGH               |
| Nondestructive testing-Pipeline to operate at 125 PSIG or more                   | 255.243(a)-(e)      | HIGH               |
| Welding inspector  | 255.244(a),(b),(c)  | HIGH               |
| Repair or removal of defects   | 255.245             | HIGH               |
| Joining Of Materials Other Than By Welding - General                             | 255.273             | HIGH               |
| Joining Of Materials Other Than By Welding - Copper Pipe                         | 255.279             | HIGH               |
| Joining Of Materials Other Than By Welding - Plastic Pipe                        | 255.281             | HIGH               |
| Plastic pipe: Qualifying persons to make joints                                  | 255.285(a),(b),(d)  | HIGH               |
| Notification requirements  | 255.302             | HIGH               |
| Compliance with construction standards   | 255.303             | HIGH               |
| Inspection: General  | 255.305             | HIGH               |
| Inspection of materials  | 255.307             | HIGH               |
| Repair of steel pipe   | 255.309             | HIGH               |
| Repair of plastic pipe   | 255.311             | HIGH               |
| Bends and elbows   | 255.313(a),(b),(c)  | HIGH               |

| <b>HIGH RISK SECTIONS PART 255</b>  |                            |                    |
|---|----------------------------|--------------------|
| <b>ACTIVITY TITLE</b>   | <b>CODE SECTION</b>        | <b>RISK FACTOR</b> |
| Wrinkle bends in steel pipe   | 255.315                    | HIGH               |
| Installation of plastic pipe  | 255.321                    | HIGH               |
| Underground clearance   | 255.325                    | HIGH               |
| Customer meters and service regulators: Installation                                      | 255.357(d)                 | HIGH               |
| Service lines: Installation   | 255.361(e),(f),(g),(h),(i) | HIGH               |
| Service lines: Location of valves   | 255.365(b)                 | HIGH               |
| External corrosion control: Buried or submerged pipelines installed after July 31, 1971   | 255.455(d),(e)             | HIGH               |
| External corrosion control: Buried or submerged pipelines installed before August 1, 1971 | 255.457                    | HIGH               |
| External corrosion control: Protective coating  | 255.461(c)                 | HIGH               |
| External corrosion control: Cathodic protection   | 255.463                    | HIGH               |
| External corrosion control: Monitoring  | 255.465(a),(e)             | HIGH               |
| Internal corrosion control: Design and construction of transmission line                  | 255.476(a),(c)             | HIGH               |
| Remedial measures: General  | 255.483                    | HIGH               |
| Remedial measures: transmission lines   | 255.485(a),(b)             | HIGH               |
| Strength test requirements for steel pipelines to operate at 125 PSIG or more             | 255.505(a),(b),(c),(d)     | HIGH               |
| General requirements (UPGRADES)   | 255.553 (a),(b),(c),(f)    | HIGH               |
| Upgrading to a pressure of 125 PSIG or more in steel pipelines                            | 255.555                    | HIGH               |
| Upgrading to a pressure less than 125 PSIG  | 255.557                    | HIGH               |
| Conversion to service subject to this Part  | 255.559(a)                 | HIGH               |
| General provisions  | 255.603                    | HIGH               |
| Operator Qualification  | 255.604                    | HIGH               |
| Essentials of operating and maintenance plan  | 255.605                    | HIGH               |
| Change in class location: Required study  | 255.609                    | HIGH               |
| Damage prevention program   | 255.614                    | HIGH               |
| Emergency Plans   | 255.615                    | HIGH               |
| Customer education and information program  | 255.616                    | HIGH               |
| Maximum allowable operating pressure: Steel or plastic pipelines                          | 255.619                    | HIGH               |
| Maximum allowable operating pressure: High pressure distribution systems                  | 255.621                    | HIGH               |
| Maximum and minimum allowable operating pressure: Low pressure distribution systems       | 255.623                    | HIGH               |
| Odorization of gas  | 255.625(a),(b)             | HIGH               |
| Tapping pipelines under pressure  | 255.627                    | HIGH               |
| Purging of pipelines  | 255.629                    | HIGH               |
| Control Room Management   | 255.631(a)                 | HIGH               |
| Transmission lines: Patrolling  | 255.705                    | HIGH               |

| <b>HIGH RISK SECTIONS PART 255</b>   |                        |                    |
|--|------------------------|--------------------|
| <b>ACTIVITY TITLE</b>  | <b>CODE SECTION</b>    | <b>RISK FACTOR</b> |
| Leakage Surveys - Transmission   | 255.706                | HIGH               |
| Transmission lines: General requirements for repair procedures   | 255.711                | HIGH               |
| Transmission lines: Permanent field repair of imperfections and damages  | 255.713                | HIGH               |
| Transmission lines: Permanent field repair of welds  | 255.715                | HIGH               |
| Transmission lines: Permanent field repair of leaks  | 255.717                | HIGH               |
| Transmission lines: Testing of repairs   | 255.719                | HIGH               |
| Distribution systems: Leak surveys and procedures  | 255.723                | HIGH               |
| Compressor stations: procedures  | 255.729                | HIGH               |
| Compressor stations: Inspection and testing relief devices   | 255.731                | HIGH               |
| Compressor stations: Additional inspections  | 255.732                | HIGH               |
| Compressor stations: Gas detection   | 255.736                | HIGH               |
| Pressure limiting and regulating stations: Inspection and testing  | 255.739(a),(b)         | HIGH               |
| Regulator Station Overpressure Protection  | 255.743(a),(b)         | HIGH               |
| Transmission Line Valves   | 255.745                | HIGH               |
| Prevention of accidental ignition  | 255.751                | HIGH               |
| Protecting cast iron pipelines   | 255.755                | HIGH               |
| Replacement of exposed or undermined cast iron piping  | 255.756                | HIGH               |
| Replacement of cast iron mains paralleling excavations   | 255.757                | HIGH               |
| Leaks: Records   | 255.807(d)             | HIGH               |
| Leaks: Instrument sensitivity verification   | 255.809                | HIGH               |
| Leaks: Type 1  | 255.811(b),(c),(d),(e) | HIGH               |
| Leaks: Type 2A   | 255.813(b),(c),(d)     | HIGH               |
| Leaks: Type 2  | 255.815(b),(c),(d)     | HIGH               |
| Leak Follow-up   | 255.819(a)             | HIGH               |
| High Consequence Areas   | 255.905                | HIGH               |
| Required Elements (IMP)  | 255.911                | HIGH               |
| Knowledge and Training (IMP)   | 255.915                | HIGH               |
| Identification of Potential Threats to Pipeline Integrity and Use of the Threat Identification in an Integrity Program (IMP) | 255.917                | HIGH               |
| Baseline Assessment Plan( IMP)   | 255.919                | HIGH               |
| Conducting a Baseline Assessment (IMP)   | 255.921                | HIGH               |
| Direct Assessment (IMP)  | 255.923                | HIGH               |
| External Corrosion Direct Assessment (ECDA) (IMP)  | 255.925                | HIGH               |
| Internal Corrosion Direct Assessment (ICDA) (IMP)  | 255.927                | HIGH               |
| Confirmatory Direct Assessment (CDA) (IMP)   | 255.931                | HIGH               |
| Addressing Integrity Issues (IMP)  | 255.933                | HIGH               |
| Preventive and Mitigative Measures to Protect the High Consequence Areas (IMP)   | 255.935                | HIGH               |
| Continual Process of Evaluation and Assessment (IMP)   | 255.937                | HIGH               |

| <b>HIGH RISK SECTIONS PART 255</b>   |                     |                    |
|--|---------------------|--------------------|
| <b>ACTIVITY TITLE</b>  | <b>CODE SECTION</b> | <b>RISK FACTOR</b> |
| Required elements of a GDPIM plan.   | 255.1007            | HIGH               |
| Required report when compression couplings fail.   | 255.1009            | HIGH               |
| Requirements a small liquefied petroleum gas (LPG) operator must satisfy to implement a GDPIM plan | 255.1015            | HIGH               |

| <b>HIGH RISK SECTIONS PART 261</b> |                     |                    |
|------------------------------------|---------------------|--------------------|
| <b>ACTIVITY TITLE</b>              | <b>CODE SECTION</b> | <b>RISK FACTOR</b> |
| Operation and maintenance plan     | 261.15              | HIGH               |
| Leakage Survey                     | 261.17(a),(c)       | HIGH               |
| Carbon monoxide prevention         | 261.21              | HIGH               |
| Warning tag procedures             | 261.51              | HIGH               |
| HEFPA Liaison                      | 261.53              | HIGH               |
| Warning Tag Inspection             | 261.55              | HIGH               |
| Warning tag: Class A condition     | 261.57              | HIGH               |
| Warning tag: Class B condition     | 261.59              | HIGH               |

| <b>OTHER RISK SECTIONS PART 255</b>   |                              |                    |
|---|------------------------------|--------------------|
| <b>ACTIVITY TITLE</b>   | <b>CODE SECTION</b>          | <b>RISK FACTOR</b> |
| Preservation of records   | 255.17                       | OTH                |
| Compressor station: Design and construction   | 255.163                      | OTH                |
| Compressor station: Liquid removal  | 255.165                      | OTH                |
| Compressor stations: Additional safety equipment  | 255.171                      | OTH                |
| Vaults: Accessibility   | 255.185                      | OTH                |
| Vaults: Sealing, venting, and ventilation   | 255.187                      | OTH                |
| Calorimeter or calorimeter structures   | 255.190                      | OTH                |
| Design pressure of plastic fittings   | 255.191                      | OTH                |
| Valve installation in plastic pipe  | 255.193                      | OTH                |
| Instrument, control, and sampling piping and components                                 | 255.203                      | OTH                |
| Limitations On Welders  | 255.229                      | OTH                |
| Quality assurance program   | 255.230                      | OTH                |
| Preheating  | 255.237                      | OTH                |
| Stress relieving  | 255.239                      | OTH                |
| Inspection and test of welds  | 255.241(c)                   | OTH                |
| Nondestructive testing-Pipeline to operate at 125 PSIG or more                          | 255.243(f)                   | OTH                |
| Plastic pipe: Qualifying joining procedures   | 255.283                      | OTH                |
| Plastic pipe: Qualifying persons to make joints   | 255.285(c)(e)                | OTH                |
| Plastic pipe: Inspection of joints  | 255.287                      | OTH                |
| Bends and elbows  | 255.313(d)                   | OTH                |
| Protection from hazards   | 255.317                      | OTH                |
| Installation of pipe in a ditch   | 255.319                      | OTH                |
| Casing  | 255.323                      | OTH                |
| Cover   | 255.327                      | OTH                |
| Customer meters and regulators: Location  | 255.353                      | OTH                |
| Customer meters and regulators: Protection from damage                                  | 255.355                      | OTH                |
| Customer meters and service regulators: Installation                                    | 255.357(a)-(c)               | OTH                |
| Customer meter installations: Operating pressure  | 255.359                      | OTH                |
| Service lines: Installation   | 255.361(a), (b), (c),<br>(d) | OTH                |
| Service lines: valve requirements   | 255.363                      | OTH                |
| Service lines: Location of valves   | 255.365(a), (c)              | OTH                |
| Service lines: General requirements for connections to main piping                      | 255.367                      | OTH                |
| Service lines: Connections to cast iron or ductile iron mains                           | 255.369                      | OTH                |
| Service lines: Steel  | 255.371                      | OTH                |
| Service lines: Cast iron and ductile iron   | 255.373                      | OTH                |
| Service lines: Plastic  | 255.375                      | OTH                |
| Service lines: Copper   | 255.377                      | OTH                |
| New service lines not in use  | 255.379                      | OTH                |
| Service lines: excess flow valve performance standards                                  | 255.381                      | OTH                |
| External corrosion control: Buried or submerged pipelines installed after July 31, 1971 | 255.455 (a)                  | OTH                |

| <b>OTHER RISK SECTIONS PART 255</b>  |                                     |                    |
|--|-------------------------------------|--------------------|
| <b>ACTIVITY TITLE</b>  | <b>CODE SECTION</b>                 | <b>RISK FACTOR</b> |
| External corrosion control: Examination of buried pipeline when exposed                    | 255.459                             | OTH                |
| External corrosion control: Protective coating   | 255.461(a), (b), (d), (e), (f), (g) | OTH                |
| External corrosion control: Monitoring   | 255.465 (b)(c)(d)(f)                | OTH                |
| External corrosion control: Electrical isolation   | 255.467                             | OTH                |
| External corrosion control: Test stations  | 255.469                             | OTH                |
| External corrosion control: Test lead  | 255.471                             | OTH                |
| External corrosion control: Interference currents  | 255.473                             | OTH                |
| Internal corrosion control: General  | 255.475(a)(b)                       | OTH                |
| Atmospheric corrosion control: General   | 255.479                             | OTH                |
| Atmospheric corrosion control: Monitoring  | 255.481                             | OTH                |
| Remedial measures: transmission lines  | 255.485(c)                          | OTH                |
| Remedial measures: Pipelines lines other than cast iron or ductile iron lines              | 255.487                             | OTH                |
| Remedial measures: Cast iron and ductile iron pipelines                                    | 255.489                             | OTH                |
| Direct Assessment  | 255.490                             | OTH                |
| Corrosion control records  | 255.491                             | OTH                |
| General requirements (TESTING)   | 255.503                             | OTH                |
| Strength test requirements for steel pipelines to operate at 125 PSIG or more              | 255.505 (e),(h), (i)                | OTH                |
| Test requirements for pipelines to operate at less than 125 PSIG                           | 255.507                             | OTH                |
| Test requirements for service lines  | 255.511                             | OTH                |
| Environmental protection and safety requirements   | 255.515                             | OTH                |
| Records (TESTING)  | 255.517                             | OTH                |
| Notification requirements (UPGRADES)   | 255.552                             | OTH                |
| General requirements (UPGRADES)  | 255.553 (d)(e)                      | OTH                |
| Conversion to service subject to this Part   | 255.559(b)                          | OTH                |
| Change in class location: Confirmation or revision of maximum allowable operating pressure | 255.611(a), (d)                     | OTH                |
| Continuing surveillance  | 255.613                             | OTH                |
| Odorization  | 255.625 (e)(f)                      | OTH                |
| Pipeline Markers   | 255.707(a),(c),(d),(e)              | OTH                |
| Transmission lines: Record keeping   | 255.709                             | OTH                |
| Distribution systems: Patrolling   | 255.721(b)                          | OTH                |
| Test requirements for reinstating service lines  | 255.725                             | OTH                |
| Inactive Services  | 255.726                             | OTH                |
| Abandonment or inactivation of facilities  | 255.727(b)-(g)                      | OTH                |
| Compressor stations: storage of combustible materials                                      | 255.735                             | OTH                |
| Pressure limiting and regulating stations: Inspection and testing                          | 255.739 (c), (d)                    | OTH                |
| Pressure limiting and regulating stations: Telemetry or recording gauges                   | 255.741                             | OTH                |
| Regulator Station MAOP   | 255.743 (c)                         | OTH                |
| Service Regulator - Min.& Oper. Load, Vents  | 255.744                             | OTH                |

| <b>OTHER RISK SECTIONS PART 255</b>              |                                    |                    |
|--|------------------------------------|--------------------|
| <b>ACTIVITY TITLE</b>                            | <b>CODE SECTION</b>                | <b>RISK FACTOR</b> |
| Distribution Line Valves                         | 255.747                            | OTH                |
| Valve maintenance: Service line valves           | 255.748                            | OTH                |
| Regulator Station Vaults                         | 255.749                            | OTH                |
| Caulked bell and spigot joints                   | 255.753                            | OTH                |
| Reports of accidents                             | 255.801                            | OTH                |
| Emergency lists of operator personnel            | 255.803                            | OTH                |
| Leaks General                                    | 255.805 (a), (b), (e),<br>(g), (h) | OTH                |
| Leaks: Records                                   | 255.807(a)-(c)                     | OTH                |
| Type 3   | 255.817                            | OTH                |
| Interruptions of service                         | 255.823 (a)-(b)                    | OTH                |
| Logging and analysis of gas emergency reports    | 255.825                            | OTH                |
| Annual Report                                    | 255.829                            | OTH                |
| Reporting safety-related conditions              | 255.831                            | OTH                |
| General (IMP)                                    | 255.907                            | OTH                |
| Changes to an Integrity Management Program (IMP) | 255.909                            | OTH                |
| Low Stress Reassessment (IMP)                    | 255.941                            | OTH                |
| Measuring Program Effectiveness (IMP)            | 255.945                            | OTH                |
| Records (IMP)                                    | 255.947                            | OTH                |
| Records an operator must keep                    | 255.1011                           | OTH                |

| <b>OTHER RISK SECTIONS PART 261</b>  |                     |                    |
|--------------------------------------|---------------------|--------------------|
| <b>ACTIVITY TITLE</b>                | <b>CODE SECTION</b> | <b>RISK FACTOR</b> |
| High Pressure Piping - Annual Notice | 261.19              | OTH                |
| Warning tag: Class C condition       | 261.61              | OTH                |
| Warning tag: Action and follow-up    | 261.63(a)-(h)       | OTH                |
| Warning Tag Records                  | 261.65              | OTH                |



Cash-Out Tiers for St. Lawrence Balancing Services

- 1) Annual Average Day Service – Continue to operate under existing provisions
  
- 2) Maximum Day Service – New Provisions

|                  |                                  |
|------------------|----------------------------------|
| Under-deliveries |                                  |
| 0-5%             | can adjust subsequent day volume |
| 5-10%            | 110% of WACOG*                   |
| 10-20%           | 120% of WACOG                    |
| Over 20%         | 140% (winter) / 130% (summer)    |
| Over-deliveries  |                                  |
| 0-5%             | can adjust subsequent day volume |
| 5-10%            | 90% of WACOG                     |
| 10-20%           | 80% of WACOG                     |
| Over 20%         | 60% (winter) / 70% (summer)      |

\* WACOG is the Weighted Average Cost of Gas.

**Conversion Performance Incentive Mechanism**

| Every 9 Additional Customers - Basis Points Incentive If AVG Number of Customers in RY Equals or Exceeds Is: |           |          |          |          |          |
|--|-----------|----------|----------|----------|----------|
| Total Max Basis Points   | <b>1*</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| RY1 Min Incentive Target   | 15844     | 15853    | 15862    | 15871    | 15880    |
| RY2 Min Incentive Target   | 15919     | 15928    | 15937    | 15946    | 15955    |
| RY3 Min Incentive Target   | 15997     | 16006    | 16015    | 16024    | 16033    |

| Every 5 Additional Customers - Basis Points Incentive If AVG Number of Customers Equals or Exceeds Is: |          |          |          |          |           |
|--|----------|----------|----------|----------|-----------|
| Total Max Basis Points   | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> | <b>10</b> |
| RY1 Min Incentive Target   | 15885    | 15890    | 15895    | 15900    | 15905     |
| RY2 Min Incentive Target   | 15960    | 15965    | 15970    | 15975    | 15980     |
| RY3 Min Incentive Target   | 16038    | 16043    | 16048    | 16053    | 16058     |

\* Rate Year targets are based upon the Rate Design Appendix (Appendix B) for SC-1 and SC-2 customer averages, the rate year averages for RY2 and RY3 shall be updated to reflect the actual averages at the end of RY1 and RY2 and so on, plus one percent growth and exclusive of Franklin County customer additions. This incentive shall continue until modified by the Commission.

As an example, if the actual average number of SC-1 and SC-2 customers at the end of RY1 is 15862, which is 27 customers above the forecast in Appendix B, then the targets for the following years would be adjusted to reflect the growth achieved in the prior year, i.e., the numbers in the RY2 Min Incentive Target rows above would be increased by 27.

St. Lawrence Gas Company, Inc.  
Lost and Unaccounted for (LAUF) Gas Mechanism

The LAUF factor will be 1.0027 which requires non-sales customers to deliver an extra 27 units for every 10,000 to the city gate (system) and is a loss percentage of city gate receipts of .269% (approximate). The standard deviation of the loss percentage of city gate receipts is .179% as calculated from the last five years of data. Two standard deviations (.358%) is more than .269% and, in accordance with Staff's white paper on LAUF, St. Lawrence will be allowed to recover gas costs up to a loss percentage of .716% (four standard deviations), or for every 99,284 units delivered by the system, 100,000 units are delivered to the city gate.

St. Lawrence will be assessed a LAUF penalty of units in excess of the allowed recovery times the average cost of gas. The calculation of the average cost of gas is shown below as purchase units vary due to non-sales customers receipts-to-deliveries lag.

In accordance with Staff's white paper, a System Performance Adjustment (SPA) will be refunded or surcharged to all customers, i.e., sales and non-sales customers, from each year's gas reconciliation. Refunds will occur when the loss percentage for that year is below .269% and surcharges will occur when the loss percentage for that year is above .269% with the Gas Adjustment Clause (GAC) refund/surcharge designed to recover the sales deliveries times the average cost of gas times the LAUF factor.

Below are examples of how the GAC and SPA function for five different loss percentages. The sales deliveries, non-sale deliveries, and average cost of gas have been kept at 26 million therms, 44 million therms, and \$.52 per therm, respectively, for all examples.

| Row | Calculation                           | Loss Percentage of Receipts               | -0.215%       | 0.143%        | 0.568%        | 0.716%        | 0.850%        |
|-----|---------------------------------------|---|---------------|---------------|---------------|---------------|---------------|
|     |                                       |   | Example       | Example       | Example       | Example       | Example       |
|     |                                       |   | <u>1</u>      | <u>2</u>      | <u>3</u>      | <u>4</u>      | <u>5</u>      |
| 1   | <b>Input</b>                          | Sales Deliveries                          | 26,000,000    | 26,000,000    | 26,000,000    | 26,000,000    | 26,000,000    |
| 2   | <b>Input</b>                          | Non-Sales Deliveries                      | 44,000,000    | 44,000,000    | 44,000,000    | 44,000,000    | 44,000,000    |
| 3   | <b>(1) + (2)</b>                      | Total Deliveries                          | 70,000,000    | 70,000,000    | 70,000,000    | 70,000,000    | 70,000,000    |
| 4   | <b>Input</b>                          | City Gate Receipts                        | 69,850,000    | 70,100,000    | 70,400,000    | 70,504,814    | 70,600,000    |
| 5   | <b>(2) x 1.0027</b>                   | Non-Sales Receipts                        | 44,118,800    | 44,118,800    | 44,118,800    | 44,118,800    | 44,118,800    |
| 6   | <b>(4) - (5)</b>                      | Sales Receipts                            | 25,731,200    | 25,981,200    | 26,281,200    | 26,386,014    | 26,481,200    |
| 7   | <b>Input</b>                          | Commodity Costs                           | \$ 13,380,224 | \$ 13,510,224 | \$ 13,666,224 | \$ 13,720,728 | \$ 13,770,224 |
| 8   | <b>(7) / (6)</b>                      | Commodity Cost per Therm                  | \$ 0.5200     | \$ 0.5200     | \$ 0.5200     | \$ 0.5200     | \$ 0.5200     |
| 9   | <b>(3) / (0.99284)</b>                | Maximum Allowed City Gate Receipts        | 70,504,814    | 70,504,814    | 70,504,814    | 70,504,814    | 70,504,814    |
| 10  | <b>(4) - (9) if (4) &gt; (9) or 0</b> | Disallowed Therm Recovery                 | 0             | 0             | 0             | 0             | 95,186        |
| 11  | <b>(8) * (10)</b>                     | Penalty                                   | \$ -          | \$ -          | \$ -          | \$ -          | \$ 49,496     |
| 12  | <b>(7)</b>                            | Commodity Costs                           | \$ 13,380,224 | \$ 13,510,224 | \$ 13,666,224 | \$ 13,720,728 | \$ 13,770,224 |
| 13  | <b>(11)</b>                           | Penalty                                   | \$ -          | \$ -          | \$ -          | \$ -          | \$ 49,496     |
| 14  | <b>(7) - (11)</b>                     | Allowed Commodity Cost Recoveries         | \$ 13,380,224 | \$ 13,510,224 | \$ 13,666,224 | \$ 13,720,728 | \$ 13,720,728 |
| 15  | <b>(1) * (8) * 1.0027</b>             | GAC Recovery from Sales Customers         | \$ 13,556,504 | \$ 13,556,504 | \$ 13,556,504 | \$ 13,556,504 | \$ 13,556,504 |
| 16  | <b>(14) - (15)</b>                    | SPA (Refund)/Surcharge from All Customers | \$ (176,280)  | \$ (46,280)   | \$ 109,720    | \$ 164,224    | \$ 164,224    |

SUBJECT: Filing by ST. LAWRENCE GAS COMPANY, INC.

Amendments to Schedule P.S.C. No. 3 - Gas

First Revised Leaf No. 224

Third Revised Leaf No. 264

Fifth Revised Leaves Nos. 262, 268, 277, 282, 306,  
307, 313

Seventh Revised Leaves Nos. 267, 276

Eighth Revised Leaves Nos. 261, 275

Twelfth Revised Leaf No. 260

Fourteenth Revised Leaf No. 266

Suspension Supplement Nos. 7, 8, 9