

P.S.C. No. 4 – Gas
Bath Electric, Gas and Water Systems
Effective Date: January 1, 2020

Statement Type: SIP
Statement No. 2

(Issued in compliance with Commission Order issued April 23, 2018 in Case Nos. 15-G-0589, 17-G-0423)

SYSTEM IMPROVEMENT PLAN (SIP) SURCHARGE STATEMENT

Applicable to all Customers:

I. General Description

Purpose: To recover the carrying charges and depreciation expense associated with the eligible costs ⁽¹⁾⁽²⁾, including eligible plant additions and eligible expenses, for the Company's natural gas distribution system.

Notes:

(1) Eligible costs include the following:

- Costs of all gas mains and services installed as replacements for existing infrastructure classified as leak prone pipe by the Company's project prioritization matrix;
- Road repairs made necessary by the above work;
- Costs associated with facilities, equipment and training necessary to install temperature-compensated meters; and
- The cost of acquiring updated, accurate maps for the Company's natural gas distribution system.

(2) Company will be allowed to submit annual gas expenditures and expenses up to \$700,000 and \$5,000 per year, respectively.

II. Computation of the SIP Surcharge

Calculation: The SIP Surcharge will be updated on an annual basis to reflect the eligible plant additions installed and in-service between November 1st of the previous year and October 31st of the current year.

SIP Surcharge Amount: The SIP Surcharge will be expressed as a volumetric rate added to customers' bills, carried to four decimal places, and will be applied to the total amount billed to each Customer under the Company's otherwise applicable rates and charges. The SIP Surcharge is subject to all revenue based taxes.

Formula: The formula for calculation of the SIP Surcharge is as follows:

$$\text{SIP Surcharge} = \frac{((\text{EPA} + \text{PYCR}) \times \text{AROR}) + \text{DE}}{\text{AUS}}$$

Where:

SIP Surcharge	=	System Improvement Plan Surcharge
EPA	=	Eligible Plant Additions
PYCR	=	Prior Year Collection Reconciliation
AROR	=	Allowed Rate of Return, 3.51%
DE	=	Depreciation Expense
AUS	=	Company's Annual Usage/Sales, in MCFs

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Annual Updates: By November 15th each year, Company will file with the Secretary to the Commission its annual SIP Surcharge tariff statement and associated workpapers that support is proposed SIP Surcharge rate.

Effective with this statement, the SIP Surcharge rate is \$0.0050/CCF

III. Safeguards

Audit/Reconciliation: The SIP Surcharge will be subject to an annual audit. Any over or under collections will accrue interest at the other customer capital interest rate established by the Commission each year. Adjustments for over and under collections will be reflected in the next SIP Surcharge filing or within sixty (60) days of the SIP Surcharge rate year.

Customer Notice: Customers shall be notified of changes in the SIP Surcharge by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.