

## Summary of Budgeting Framework -- Gas ISR

<b>Six Separate Budget Categories</b>		<i>Soft Budget</i>		
		<i>Budget</i>	<i>Limit</i>	<i>2.5% Buffer</i>
A.	Main Replacement & Rehabilitation	\$ 0	\$0	\$ 0
B.	Mandated	\$ 0	n/a	n/a
C.	Reliability & Pressure Regulation	\$ 0	\$0	\$ 0
D.	Purchase Meters	\$ 0	\$ 0	\$ 0
E.	Major Projects (other than meters)	\$ 0	n/a	n/a
F.	PHMSA LDAR	\$ 0	n/a	n/a
<b>\$ 0</b>				

- A. **Segregated Budget Categories** : There would be six separate budget categories. Unused budget allocations in one category cannot be transferred to another category which is subject to a Soft Budget Limit.
- B. **Soft Budget Limits** : Overspending is subject to a one-year revenue requirement adjustment for three of the six categories, as noted above.
- C. **Revenue Requirement Adjustment** : A one-year revenue requirement adjustment applies for overspending within the specific category. The adjustment is applicable to the entire amount exceeding the Soft Budget Limit.
- D. **Overspend Buffer** : The revenue requirement adjustment does not apply until the overspend exceeds 2.5% of the applicable Soft Budget Limit. If exceeded, the revenue requirement adjustment applies to the total amount of spend over the Soft Budget Limit (as opposed to the amount over 2.5%).

## Illustration of the Soft Budget Limit and Overspend Buffer

*The mechanism is designed to mimic a regulatory lag in capital cost recovery equal to one year (when the buffer is exceeded).*

1	Soft Budget Limit	100,000,000	
2	Overspend Buffer	2,500,000	2.5%
3		<u>102,500,000</u>	

### *Two Examples:*

4	Total Spend Example #1	102,499,000	<i>No Overspend Penalty Applies</i>
5	Total Spend Example #2	102,501,000	<i>Overspend Penalty Applies</i>

### Calculation of Overspend Penalty for Example #2:

6	Total Capital Cost Spend	102,501,000
7	Soft Budget Limit	<u>100,000,000</u>
8	Overspend Total	2,501,000

### Using a proxy revenue requirement equal to one year of plant in service:

9	Overspend:	2,501,000	
10	Rev. Req. Calc.	250,100	(Assuming Rev. Req. is 10% of cost)

11	<b>Overspend Penalty:</b>	<b>250,100</b>	This equals the revenue requirement calculation. The Company's revenue requirement in the reconciliation would be decreased by this amount.
----	---------------------------	----------------	---

Summary of Budgeting Framework - Gas ISR

<u>Six Separate Budget Categories</u>		Soft Budget	
	Budget	Limit	2.5% Buffer
A. Main Replacement & Rehabilitation	\$ 107,703	\$107,703	\$ 2,693
B. Mandated	\$ 13,178	n/a	n/a
C. Reliability & Pressure Regulation	\$ 29,390	\$29,390	\$ 735
D. Purchase Meters	\$ 5,646	\$ 5,646	\$ 141
E. Major Projects (other than meters)	\$ 24,320	n/a	n/a
F. PHMSA LDAR	\$ 10,789	n/a	n/a
	<b>\$ 191,026</b>		

**Gas ISR Budget Draft -- Using REVISED Table 1A -- FY2025**

(\$000)

(Source: Record Request 5; Attachment RR 5-1)

	(a) Spending Categories & Groups	(b) FY2025 Budget	(c) Soft Budget Limit	(d) Overspend Buffer 2.5% of col. (a)
1				
2	<b>A. Main Replacement &amp; Rehabilitation</b>			
3	<i>Damage / Failure (Reactive)</i>	\$ 25		
4	Reactive Main Replacement - Leak Prone Pipe & Maintenance	\$ 7,838		
5	CSC/Public Works - Non-Reimbursable	\$ 22,519		
6	CSC/Public Works - Reimbursable	\$ 1,700		
7	CSC/Public Works - Reimbursements	(\$ 850)		
8	Gas System Reliability	\$ 4,580		
9	Proactive Main Rehabilitation - Large Diameter (CI Lining & CISBOT)	\$ 750		
10	Proactive Low Pressure System Elimination	\$ 6,552		
11	Pipeline Integrity ( <i>Moved Wampanoag to Major Projects</i> )	<b>moved</b>		
12	Replace Pipe on Bridges	\$ 1,420		
13	Proactive Main Replacement - Leak Prone Pipe	\$ 62,169		
14	Atwells Avenue	\$ 750		
15	Proactive Service Replacement	\$ 250		
16	<b>Main Replacement &amp; Rehabilitation Total</b>	<b>\$ 107,703</b>	<b>\$107,703</b>	<b>\$ 2,693</b>
17	<b>B. Mandated &amp; Non-Main Reactive</b>			
18	Reactive Leaks (CI Joint Encapsulation/Service Replacement)	\$ 8,000		
19	Purchase Meters (Replacement) ( <i>Moved to Major Projects</i> )	<b>moved</b>		
20	Corrosion	\$ 1,918		
21	Reactive Service Replacements - Non-Leaks/Other	\$ 1,748		
22	I&R - Reactive	\$ 1,472		
23	Access Protection Remediation	\$ 40		
24	<b>Mandated Total</b>	<b>\$ 13,178</b>	<b>N/A</b>	<b>N/A</b>
25	<b>C. Reliability &amp; Pressure Regulation</b>			
26	<del>\$702,000</del> LNG ( <i>excluding \$770,000 for Navy Yard Decommissioning</i> )	<b>\$ 8,117</b>		
27	Transmission Station Integrity	\$ 5,891		
28	Pressure Regulating Facilities	\$ 5,888		
29	Distribution Station Over Pressure Protection	\$ 1,785		
30	Tiverton GS - Heaters Replacement and Ownership Transfer	\$ 10		
31	Take Station Refurbishment	\$ 1,221		
32	Heater Installation Program	\$ 400		
33	System Automation	\$ 665		
34	Tools & Equipment	\$ 1,211		
35	Valve Install./Replcmnt - Primary Valve & Aquidneck Island Low Pressure V.	\$ 142		
36	Southern RI Gas Expansion Project - Regulator Station Investment	\$ 4,060		
37	<b>Reliability &amp; Pressure Regulation Total</b>	<b>\$ 29,390</b>	<b>\$29,390</b>	<b>\$ 735</b>
38	<b>(D. &amp; E.) Separately Tracked Major Projects</b>			
39	<b>D. Purchase Meters (Replacement) (<i>Moved from Mandated</i>)</b>	<b>\$ 5,646</b>	<b>\$ 5,646</b>	<b>\$ 141</b>
40	<b>E. Major Projects (Other than Meters):</b>			
41	LNG - Exeter Truck Station Upgrade	<b>excluded</b>		
42	LNG - Exeter Control Room Upgrade	<b>excluded</b>		
43	LNG - Old Mill Lane Portable Equipment	\$ 8,300		
44	LNG - Old Mill Lane Site Upgrades	\$ 6,000		
45	Wampanoag Project ( <i>moved from Pipeline Integrity</i> )	<b>\$ 10,020</b>		
46	<b>Major Projects Total (Other than Meters)</b>	<b>\$ 24,320</b>	<b>N/A</b>	<b>N/A</b>
47				
48				
49	<b>ISR Spending TOTAL (without PHMSA LDAR)</b>	<b>\$ 180,237</b>		
50				
51	<b>F. PHMSA - Gas Pipeline Leak Detection and Repair (LDAR)</b>			
52	Reactive Leaks (CI Joint Encapsulation/Service Replacement) (PHMSA)	\$ 4,000		
53	Main Replacement (Mandated) - Leak Prone Pipe (PHMSA)	\$ 6,589		
54	Tools & Equipment (PHMSA)	\$ 200		
55	<b>PHMSA LDAR Total</b>	<b>\$ 10,789</b>	<b>N/A</b>	<b>N/A</b>
	<b>ISR TOTAL (With PHMSA LDAR)</b>	<b>\$ 191,026</b>		