



The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 17-GSEP-02

April 30, 2018

Petition of The Berkshire Gas Company for Approval of its 2018 Gas System Enhancement Plan, pursuant to G.L. c. 164, § 145, and for rates effective May 1, 2018.

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I. INTRODUCTION AND PROCEDURAL HISTORY

On October 31, 2017, The Berkshire Gas Company (“Berkshire” or “Company”) submitted to the Department of Public Utilities (“Department”) its 2018 gas system enhancement plan (“GSEP”). Berkshire submitted its plan pursuant to G.L. c. 164, § 145 (“Section 145”) to replace aging or leak-prone natural gas pipeline infrastructure. The Company seeks approval to collect \$2,536,178 through the gas system enhancement adjustment factor (“GSEAF”) to recover the estimated cost to replace eligible natural gas infrastructure in calendar year (“CY”) 2018, for effect on May 1, 2018 (Exh. BGC-JMB-1, at 4-5). The Company proposes the following GSEAFs: \$0.434 per dekatherm (“Dth”), \$0.381 per Dth, \$0.234 per Dth, \$0.119 per Dth, \$0.050 per Dth for residential, small C&I, medium C&I, large C&I, and extra-large C&I, respectively (Exh. BGC-JMB-3).

The general terms of the Company’s GSEP and the formula for the calculation of its GSEAF are set forth in its gas system enhancement program adjustment clause (“GSEPAC”) tariff. As discussed in Section III.D, below, the Company proposes certain modifications to its GSEPAC tariff (Exh. BGC-JMB-6). The Department has docketed this matter as D.P.U. 17-GSEP-02.

On December 1, 2017, the Attorney General of the Commonwealth of Massachusetts (“Attorney General”) filed a notice of intervention, pursuant to G.L. c. 12, § 11E(a). On December 6, 2017, pursuant to notice duly issued, the Department held a public hearing and procedural conference. In support of its filing, the Company sponsored the testimony of Jennifer M. Boucher, manager of regulatory economics for the Company, and David M.

Grande, director of gas engineering and system operations for the Company. The Department held an evidentiary hearing on March 5, 2018. On March 23, 2018, the Attorney General and the Company submitted initial briefs. On March 30, 2018, the Company submitted a reply brief.¹ The record consists of 61 exhibits and seven responses to record requests.

II. STATUTORY REQUIREMENTS

Section 145 permits gas distribution companies to, in the interest of public safety and to reduce lost and unaccounted for natural gas, submit to the Department annual plans to repair or replace aging or leaking natural gas infrastructure.² Any plan filed with the Department shall include, but not be limited to: (i) eligible infrastructure replacement of mains, services, meter sets, and other ancillary facilities composed of non-cathodically protected steel,³ cast iron,⁴ or wrought iron,⁵ prioritized to implement the federal gas

¹ The Attorney General did not submit a reply brief.

² Section 145(a) defines eligible infrastructure replacement to be “a replacement or an improvement of existing infrastructure of a gas company that: (i) is made on or after January 1, 2015; (ii) is designed to improve public safety or infrastructure reliability; (iii) does not increase the revenue of a gas company by connecting an improvement for a principal purpose of serving new customers; (iv) reduces, or has the potential to reduce, lost and unaccounted for natural gas through a reduction in natural gas system leaks; and (v) is not included in the current rate base of the gas company as determined in the gas company’s most recent rate proceeding.”

³ Cathodic protection is a technique to control the corrosion of a metal surface by making the structure work as a cathode of an electrochemical cell. NACE International Standard Practice SP0169-2007.

⁴ This category applies to gray cast iron that is a cast ferrous material in which a major part of the carbon content occurs as free carbon in the form of flakes interspersed through the metal. Because the carbon flakes do not bond with the ferrous material

distribution pipeline integrity management plan (“DIMP”) annually submitted to the Department, and consistent with 49 C.F.R. §§ 192.1001 through 192.1015; (ii) an anticipated timeline for the completion of each project; (iii) the estimated cost of each project; (iv) rate change requests; (v) a description of customer costs and benefits under the plan; and (vi) any other information the Department considers necessary to evaluate the plan. Section 145(c). Annual changes in the revenue requirement eligible for recovery pursuant to the plan shall not exceed (i) 1.5 percent of the gas company’s most recent calendar year total revenues for firm service, including gas revenues attributable to sales and transportation customers, or (ii) an amount determined by the Department that is greater than 1.5 percent of the gas company’s most recent calendar year total revenues for firm service, including gas revenues attributable to sales and transportation customers. Section 145(f).⁶

The Department may modify a plan prior to approval at the request of a gas company, or make other modifications to a plan as a condition of approval. Section 145(d).⁷ The

on the molecular level, the metal is brittle and susceptible to stress cracking under pressure situations. American Gas Association, Gas Piping Technology Committee.

⁵ Together with cast iron, wrought iron pipelines are among the oldest energy pipelines constructed in the United States. The degrading nature of iron alloys, the age of the pipeline, and pipe joints design have greatly increased the risk involved with continued use of such pipeline. <http://opsweb.phmsa.dot.gov/pipeline-replacement>

⁶ The GSEP revenue requirement includes depreciation expense, property taxes, and a return on investment associated with the plan. Section 145(e). Any revenue requirement approved by the Department in excess of such cap may be deferred for recovery in the following year. Section 145(f).

⁷ If a gas company files a plan on or before October 31 for the subsequent construction year, the Department must review the plan within six months. Section 145(d). The plan is effective as of the date of filing, pending Department review. Section 145(d).

Department is required to consider the costs and benefits of the plan including, but not limited to, impacts on ratepayers, reductions of lost and unaccounted for natural gas through a reduction in natural gas system leaks, and improvements to public safety. Section 145(d). The Department is also required to give priority to plans narrowly tailored to addressing leak-prone infrastructure most immediately in need of replacement. Section 145(d).

If a plan complies with Section 145, and the Department determines that it reasonably accelerates eligible infrastructure replacement and provides benefits to customers, the Department must preliminarily accept the plan either in whole or in part. Section 145(e). The gas distribution company may begin recovering the estimated plan revenue requirement beginning on May 1 of the year following submission of the plan. Section 145(e). Subsequently, on or before May 1 of each year, the gas distribution company must file final project documentation for construction completed the previous calendar year in order to demonstrate substantial compliance with the plan, and to demonstrate that the costs were reasonably and prudently incurred. Section 145(f).

III. GAS SYSTEM ENHANCEMENT PLAN

A. Introduction

Berkshire distributes natural gas to 40,000 customers in Berkshire county and portions of Hampshire and Franklin counties. The Berkshire Gas Company, D.P.U. 15-GSEP-02, at 4-5 (2016). The Company operates a network of approximately 764 miles of natural gas mains and 32,049 active services (Exh. BGC-DMG-2, at 20). The Company states that approximately 14 percent of its system mileage consists of leak-prone mains and services comprising cast iron, bare steel, and non-cathodically protected coated steel pipe

(Exh. BGC-DMG-2, at 20).⁸ The Company further states that these cast iron and unprotected steel facilities account for approximately 65 percent of all leaks that occurred on the Company's system as of the end of 2014 (Exh. BGC-DMG-2, at 20).

Historically, the Company has replaced these leak-prone mains at a rate of 3.4 to 4.4 linear miles per year. D.P.U. 15-GSEP-02, at 5. Consistent with Section 145, Berkshire developed a GSEP to replace 109 miles of leak-prone cast iron and bare steel infrastructure on an accelerated basis over 20 years, starting January 1, 2015, and ending December 31, 2034. D.P.U. 15-GSEP-02, at 5. Berkshire intends to retire approximately 5.5 miles of main each year of the GSEP, depending on a variety of factors and opportunities. D.P.U. 15-GSEP-02, at 5. The Company will implement the GSEP through a series of three-year rolling plans, currently focused on 2018 through 2020 (Exhs. BGC-DMG-1, at 4; BGC-DMG-3). The Attorney General raises issues regarding the Company's proposed revenue requirement, and proposed tariff revisions, which we address below.

B. Revenue Requirement Calculation

1. Introduction

Berkshire's GSEP filing presents its 2018 estimated GSEP revenue requirement and its proposed GSEAFs. The Company proposed a 2018 estimated GSEP revenue requirement of \$2,536,178 (Exh. BGC-JMB-1, at 4-5). In its initial filing, the Company explains that it has

⁸ It appears that certain materials in Table 3 are mislabeled (Exh. BGC-DMG-2, at 20). The materials labeled as plastic, cast iron and bare steel, should be labeled as bare steel, plastic and cast iron, respectively. The Department instructs the Company to correct this mistake in its next GSEP proceeding.

updated the accumulated deferred income taxes for the vintage years 2015 and 2016 based on an analysis of the capital repairs tax deduction percentages carried out by Price Waterhouse Cooper, which resulted in a limited reduction to the revenue requirement for those two years (Exhs. BGC-JMB-1, at 5; BGC-JMB-2, at Schs. 3a-3b; DPU 3-2). The Company proposes to recalculate and reconcile its 2015 and 2016 revenue requirements with its 2017 GREC, which will be submitted to the Department by May 1, 2018, and to include any difference, with interest, in its 2018 gas system enhancement reconciliation adjustment factor (“GSERAF”) (Exh. BGC-JMB-1, at 5). As outlined below, the Attorney General raises concerns regarding the Company’s revenue requirement calculation as it relates to the newly enacted Tax Cuts and Jobs Act of 2017 (“Tax Act”),⁹ as well as the Company’s analysis of the capital repairs tax deductions.

2. Positions of the Parties

a. Attorney General

The Attorney General maintains that Berkshire’s 2018 estimated GSEP revenue requirement fails to consider all of the reductions associated with the Tax Act (Attorney General Brief at 2). The Attorney General states that, in response to a record request, the Company provided a lower revenue requirement calculation to reflect the effects of the lower federal corporate income tax rate on the level of current normalized income taxes (Attorney General Brief at 2, citing RR AG-3). Nonetheless, the Attorney General asserts that the

⁹ On December 22, 2017, the Tax Act was signed into law. Pub. L. No. 115-97, 131 Stat. 2054: An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.

Company's response fails to reflect the required flow back of the balances of excess deferred federal income taxes that were created by the Tax Act (Attorney General Brief at 2-3, citing Exh. AG 2-4; RR AG-3). The Attorney General calculates that the Company's revenue requirement should be reduced by \$181,578 (Attorney General Brief at 4). The Attorney General maintains that there is no harm in requiring the Company to reduce its revenue requirement based on the estimated amount because the GSEP revenue requirement and its various components are themselves estimates (Attorney General Brief at 4).

The Attorney General also claims that the Company has understated its capital repairs expense tax deduction percentage (Attorney General Brief at 4). The Attorney General argues that the Department should instruct the Company to reduce its revenue requirement by \$254,479 to reflect a 100 percent capital repairs deduction for tax purposes, instead of the 35 percent capital repairs tax deduction that the Company is currently using (Attorney General Brief at 4, citing Exh. BGC-JMB-2, Sch. 3a, at 1, line 4; Sch. 3b, at 1, line 4; Sch. 3c, at 1, line 4; Sch. 3d, at 1, line 4).

b. Company

Berkshire asserts that the Department should approve its revenue requirement as proposed (Company Brief at 6). The Company argues that the Attorney General's proposed tax-related adjustments are unnecessary and premature (Company Reply Brief at 1). The Company asserts that it intends to ensure that proper tax adjustments are reflected in the final reconciliation, so that customers receive the full benefit of tax changes (Company Reply Brief at 2). The Company further argues that the Attorney General's approach could result in

greater customer confusion and perhaps, some inconsistency with the Department's review of the Tax Act (Company Reply Brief at 2).

Additionally, the Company maintains that its treatment of the capital repairs tax deduction was based on the Company's actual tax returns (Company Reply Brief at 2). The Company argues that it based its tax return on the results of a specific, independently-calculated "sampling" technique, which included cross-sampling of not only Berkshire but also its Connecticut affiliates (Company Reply Brief at 2). As such, the Company asserts that the Attorney General selectively applies only a portion of the aggregate sample used and that the Attorney General's approach is based on a selective application of an entire data base (Company Reply Brief at 2). Therefore, the Company contends that adoption of the Attorney General's recommendation would be internally inconsistent and would not properly reflect the Company's actual tax expense (Company Reply Brief at 3).

3. Analysis and Findings

a. Tax Act

Effective January 1, 2018, the Tax Act reduced the federal corporate income tax rate from 35 percent to 21 percent. Investigation into Effect of Reduction in Federal Income Tax Rates, D.P.U. 18-15, at 1. Because the federal corporate income tax rate is implicated in numerous factors that comprise regulated companies' costs of service and revenues, the Department determined that the reduction in the federal corporate income tax rate has implications for the investor owned electric distribution, natural gas distribution, and water companies under the Department's jurisdiction. D.P.U. 18-15, at 1, 4-6. To ensure that ratepayers receive the benefits from the decrease in the federal corporate income tax rate, the

Department opened an investigation into the effect of the decrease in the federal corporate income tax rate on the rates charged by the Department's regulated utilities. D.P.U. 18-15, Order Opening Investigation (February 2, 2018).

Although Berkshire disputes that it should be required to do so at this time, it provided a reduced revenue requirement based on a straight calculation of the change to the federal corporate income tax rate from 35 percent to 21 percent (Company Reply Brief at 1-2; RR-AG-3). The Department has reviewed the Company's calculations and supporting documentation with respect to the revised normalized level of federal corporate income taxes and we find that the Company's adjustment is appropriate (RR-AG-3). Therefore, the Department will rely on the updated calculation to derive the revenue requirement used to calculate the GSEAFs (RR-AG-3). With respect to the Attorney General's request to require the Company to implement a further adjustment related to excess deferred income tax, we find that it is premature for the Company to make such changes in the GSEP at this time. To the extent feasible, the Department intends to resolve issues related to the Tax Act in D.P.U. 18-15. See D.P.U. 18-15, at 4-7. Further, while the reduction of the federal corporate income tax rate from 35 percent to 21 percent is a straightforward calculation, the excess deferred income tax requires complex calculations. The Tax Act itself is lengthy and complex.¹⁰ The Department must strike an appropriate balance between allowing a reasonable amount of time to review the Tax Act and implementing any changes imposed by

¹⁰ The Tax Act makes significant revisions to the Internal Revenue Code affecting individual, estate, and corporate taxes. Together with the Joint Explanatory Statement of the Committee of Conference, the Tax Act is 1,097 pages.

the Tax Act. Thus, for any remaining issues relating to the Tax Act, we will rely on the ongoing proceeding in D.P.U. 18-15 where the Department will determine the impact of the Tax Act on Berkshire's revenue requirement. On conclusion of D.P.U. 18-15, the Department will reconcile any impact of the Tax Act in the following GSEP or GSEP reconciliation ("GREC") proceeding. To ensure that there is no harm to ratepayers, the Department expects that any impact of the Tax Act will be retroactive to January 1, 2018, i.e., the effective date of the Tax Act.

b. Capital Repairs Tax Deduction

The Company proposes to recalculate and reconcile the revenue requirements for vintage years 2015 and 2016, based on new capital repairs tax deduction percentages, in its 2017 reconciliation due by May 1, 2018, and to include any difference, with interest, in its 2018 GSERAF (Exhs. BGC-JMB-1, at 5; BGC-JMB-2, at Schs. 3a-3b; DPU 3-2). The Attorney General argues that the Department should instruct Berkshire to reduce its revenue requirement in the current proceeding based on a 100 percent capital repairs tax deduction. The Department has reviewed this issue, and notes concern about Berkshire's use of a sample set of projects, including projects undertaken by affiliates of the Company, rather than using the full list of GSEP projects, when determining the capital repairs tax deduction. The Department finds, however, that it is appropriate for the Company to recalculate and reconcile its proposed revenue requirement with updated capital repairs tax deduction percentages, using actual tax returns, in the Company's May 1, 2018 GREC filing. In that filing, the Attorney General and the Department will have the opportunity to examine and

question the Company's proposal. The Department also expects the Company to include any difference in the 2015 and 2016 revenue requirements, with interest, in its proposed 2018 GSERAF.

C. Conclusion to 2018 GSEP

Based upon the Department's review of the record in this proceeding, and to the extent not otherwise addressed above, we find that the Company's 2018 GSEP complies with the requirements set forth in Section 145. Accordingly, the Department approves, except as noted above, Berkshire's 2018 GSEP, for effect May 1, 2018. Based on the foregoing, the Department allows Berkshire a 2018 revenue requirement of \$2,390,673. Based on the allowed revenue requirement of \$2,390,673, the allowed GSEAFs are \$0.409 per Dth, \$0.359 per Dth, \$0.220 per Dth, \$0.112 per Dth, \$0.047 per Dth for residential, small C&I, medium C&I, large C&I, and extra-large C&I, respectively.

D. Proposed Tariff Changes

1. Introduction

The Company proposes several edits to its GSEPAC tariff (Exh. BGC-JMB-6). First, Berkshire proposes to revise the definition of GSEP-eligible existing infrastructure to include the replacement of sections of plastic and cathodically protected steel main, known as incidental pipe (Exh. BGC-JMB-6, at § 2.0.6). Second, the Company proposes to change its tariff to include the recovery of costs associated with the repair of Grade 3 gas leaks ("G3SEI") (Exhs. BGC-JMB-1, at 8; BGC-JMB-6, at § 1.1, Appendix A). Third, the Company proposes a revision to allow for the replacement of wrought iron services as a part of its GSEP (Exh. BGC-JMB-6, at § 2.0.6). Fourth, Berkshire proposes alterations to its

calculations of the GSEP revenue requirement, rate base, depreciation, gross plant, and accumulated deferred income taxes so that these amounts are estimated by month rather than by year (Exh. BGC-JMB-6, at § 3.1). Fifth, the Company proposes to use the period April through October for purposes of its GSERAF revenue requirement calculations, replacing the current formula of May through October (Exhs. BGC-JMB-6, at § 3.2; DPU 1-8). Sixth, Berkshire proposes edits to separate the GREC filing from the Company's local distribution adjustment factor ("LDAF") filing to recognize that the GREC filing is due annually on or before May 1st, while the LDAF filing is due annually 90 days prior to November 1st (Exh. BGC-JMB-6, at § 7.3). Finally, Berkshire proposes a revision to clarify how the GSEP cap is calculated (Exh. BGC-JMB-6, at § 4.1)

2. Positions of the Parties

a. Attorney General

First, the Attorney General argues that this proceeding is not the appropriate forum for considering the Company's proposed change to the definition of "existing infrastructure" to specifically include various types of "incidental pipe" (Attorney General Brief at 9). Rather, the Attorney General argues that the Department stay the approval of the proposed revision because the Department directed the Company to propose a strategy related to incidental pipe in its May 1, 2018 GREC filing (Attorney General Brief at 9, citing The Berkshire Gas Company, D.P.U. 17-GREC-02, at 15 (2017)). The Attorney General asserts that although the Department has recognized that the replacement of "incidental pipe" may be necessary for cost-effectiveness reasons, the Department found that incidental pipe is not

GSEP-eligible infrastructure (Attorney General Brief at 10, citing D.P.U. 17-GREC-02, at 13-15).

Additionally, if the Department considers the proposed change to the definition of “existing infrastructure” in the instant proceeding, the Attorney General contends that the Department should reject it because it is contrary to Section 145 (Attorney General Brief at 10-11). The Attorney General argues that the Company’s proposed definition of “existing infrastructure” is incorrect and that including the proposed change to the definition of “existing infrastructure” in the Company’s tariff would constitute an improper expansion of Section 145 (Attorney General Brief at 10-11).

Next, the Attorney General argues that Berkshire’s proposed changes to the GSEP tariff to allow for the recovery of G3SEI leaks are premature (Attorney General Brief at 6). The Attorney General asserts that if the Department approves the changes to the tariff, the Department should make several modifications to the language regarding G3SEI leak remediation to: (1) ensure that the Company recovers only incremental G3SEI remediation costs; (2) incorporate specific G3SEI leak identification procedures into the Company’s operation and maintenance (“O&M”) procedures; and (3) incorporate the data derived from the G3SEI identification procedures into the Company’s Distribution Integrity Management Plan (“DIMP”) (Attorney General Brief at 6-9). The Attorney General did not address the remaining proposed tariff revisions on brief.

b. Company

First, the Company claims that the Department has repeatedly determined that “incidental pipe” replacement is “GSEP-eligible” when part of a least-cost strategy for street excavation (Company Reply Brief at 4, citing D.P.U. 17-GREC-02, at 13). Further, the Company argues that its proposed tariff adjustment reflects and conforms to least-cost practices that are accepted within Department precedent (Company Reply Brief at 4).

Next, regarding recovery for G3SEI leak repair costs, Berkshire maintains that the Department should approve its proposed tariff changes as appropriate (Company Brief at 4). The Company argues that although the regulations regarding the remediation of G3SEI leaks are not yet final, it is more efficient to address the issue now, because it is more important to make the changes expeditiously (Company Reply Brief at 3). The Company further states that it commits to incorporating G3SEI leak identification and remediation procedure into its O&M manual and, if appropriate, into its DIMP (Company Reply Brief at 3-4, citing Tr. at 21).

3. Analysis and Findings

In D.P.U. 17-GREC-02, at 15, the Department directed the Company to propose a strategy for the treatment of incidental pipe in its May 1, 2018 GREC filing. Rather than proposing a specific procedure for including and, where applicable, excluding costs associated with incidental pipe in its May 1, 2018 GREC filing, the Company has proposed in this proceeding to simply change the definition of existing infrastructure in order to allow recovery of costs associated with the replacement of incidental pipe (Exh. BGC-JMB-6, at § 2.0.6). At this time, in the absence of a specific proposal for the treatment of incidental

pipe, the Department finds that approval of the Company's proposed tariff change is premature. Therefore, the Department denies the Company's proposed revision to the definition of "existing infrastructure" in its GSEPAC tariff. Moreover, where the Company's proposed definition would depart from the statutory definition of eligible infrastructure contained in G.L. c. 164, § 145, the Department would not be inclined to accept the proposed definition change. Rather, following consideration of a specific procedure for the treatment of incidental pipe, the Department would expect a more targeted proposal to incorporate approved procedures and cost recovery associated with incidental pipe in the Company's tariff.

As previously indicated, the Department expects the Company to propose a specific procedure for including and, when applicable, excluding costs associated with retiring and replacing existing infrastructure in the GSEP mechanism, including policies established to ensure that substantial plastic and cathodically protected steel main replacements are not included for recovery in the GSEP mechanism. D.P.U. 17-GREC-02, at 15. Nevertheless, the Department has previously stated that any tariff change is best handled in the GSEP proceedings. D.P.U. 17-GREC-02, at 27, n.17; NSTAR Gas Company, D.P.U. 16-GREC-06, at 28 n.16 (2016). Therefore, only after the Company proposes the specific procedures previously directed by the Department as part of its May 1, 2018 GREC filing should the Company include proposed tariff changes related to the inclusion and, where applicable, exclusion of "incidental pipe" in its GSEPAC tariff.

Next, as noted above, Berkshire has not provided an estimate for the G3SEI leaks it will repair under its 2018 GSEP and has not developed a budget associated with the repairs of these leaks. Nevertheless, where the Department has not yet issued final regulations in Gas Leak Regulations, D.P.U. 16-31-B,¹¹ which includes methods for identifying and remediating G3SEI leaks, it is premature for the Department to approve any changes to the Company's GSEP tariff regarding the G3SEI leaks or to require the Company to amend its O&M manual or its DIMP pending the approval of final regulations in D.P.U. 16-31. After the regulations are finalized in D.P.U. 16-31, the Department will address the proper ratemaking treatment and other tariff modifications related to G3SEI leaks.

As part of the Company's GSEP filing, Berkshire proposed tariff revisions to include the replacement of wrought iron services as part of its GSEP plan (Exh. BGC-JMB-6, at § 2.0(6)). After review of the Company's proposal, we find that the tariff revisions regarding the inclusion of wrought iron services as GSEP eligible infrastructure consistent with section 145.

Regarding the changes to its revenue requirement calculation, the Department had previously accepted the Company's proposal to work with other GSEP-eligible LDCs to propose amended tariffs to estimate the GSEP revenue requirement using monthly averages,

¹¹ Pursuant to St. 2014, c. 149, § 2, An Act Relative to Natural Gas Leaks, the Department commenced the D.P.U. 16-31 rulemaking to promulgate regulations necessary to implement uniform natural gas leak classifications and to oversee and monitor gas companies' responses and reporting. Subsequently, the Department added proposed regulations to address the identification and repair of G3SEI leaks, pursuant to St. 2016, c. 188, § 13, An Act to Promote Energy Diversity.

rather than using beginning and end of year plant balances. The Berkshire Gas Company, D.P.U. 16-GSEP-02, at 14 (2017). The Company also proposes to use the period April through October for purposes of its GSERAF revenue requirement calculations, replacing the current formula of May through October, because at the time of the reconciliation filing the Company's actual GSERAF April revenue is not yet available (Exhs. BGC-JMB-6, at § 3.2; DPU 1-8). The Department has reviewed these changes and finds that they are reasonable and consistent with the directives in D.P.U. 16-GSEP-02. Accordingly, the Department finds that proposed revisions to the Company's GSEPAC tariff regarding the calculation method of the GSEP revenue requirement are reasonable.

The Company also proposed tariff changes to recognize that the difference in timing of the GREC filing and the LDAF filing does not allow both filings to be submitted simultaneously (Exh. BGC-JMB-6, at § 7.3). After the Department's review, we find this revision to the tariff to be reasonable.

Finally, the Company proposes revisions to the calculation of the GSEP revenue cap (Exh. BGC-JMB-6, at § 3.1). The Department previously determined it may be appropriate to revise the Company's tariff language to clarify that the recovery of the annual GSERAF that may be billed in any year beginning in November 1 will be limited by the difference between the GSEP cap and the annual change in the GSEP recovery. D.P.U. 17-GREC-02, at 27 n.17. We find that Berkshire has appropriately revised its tariff language to be consistent with Department precedent.

Based on the foregoing, the Department rejects the Company's proposal to revise its tariff relating to incidental pipe and G3SEI, and finds that Berkshire's proposed tariff revisions relating to wrought iron services, the calculation of its revenue requirement using monthly averages for plant balances, the change in the GSERAF revenue requirement calculation from the period May through October to April through October, the timing and treatment of the GREC filing in coordination with the LDAF filing are allowed. The Department directs the Company to submit a compliance tariff that incorporates the approved revisions to its GSEPAC tariff within five business days of the issuance of this Order.

IV. ORDER

Accordingly, after notice, hearing, and due consideration, it is

ORDERED: That The Berkshire Gas Company's petition for approval of its 2018 gas system enhancement plan, as modified, is APPROVED; and it is

FURTHER ORDERED: That The Berkshire Gas Company's gas system enhancement adjustment factors in the amounts of \$0.434, \$0.381, \$0.234, \$0.119, \$0.050 per dekatherm for residential, small commercial and industrial, medium commercial and industrial, large commercial and industrial, and extra-large commercial and industrial customers, respectively, to take effect May 1, 2018, are DENIED; and it is

FURTHER ORDERED: That The Berkshire Gas Company's gas system enhancement adjustment factors in the amounts of \$0.409, \$0.359, \$0.220, \$0.112, \$0.047 per dekatherm for residential, small commercial and industrial, medium commercial and

An appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part. Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of the twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. G.L. c. 25, § 5.