

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
VEGETATION MANAGEMENT PILOT PROVISION

1.0 APPLICABILITY

Massachusetts Electric Company and Nantucket Electric Company's ("Company") Vegetation Management Pilot ("VMP") Provision provides for the recovery of incremental costs associated with the Company's VM Pilot. The Company's VMP Provision includes the recovery of incremental Allowed O&M Expense, as defined below, incurred as a result of implementing the VM Pilot.

Allowed O&M Expense, as defined below, eligible for recovery consists of VM Pilot expense incurred during the VM Pilot Term and condition assessment costs incurred prior to the VM Pilot Term.

The Company's rates for Retail Delivery Service are subject to adjustment to reflect the operation of this VMP Provision. The Vegetation Management Factor ("VMF") and the Vegetation Management Reconciliation Factor ("VMRF"), as defined herein, shall be applied to all retail delivery service customers through a per-kilowatt-hour ("kWh") charge, as determined in accordance with the provisions of Section 3.0 below. The operation of this VMP Provision is subject to Chapter 164 of the General Laws.

Pursuant to the Department of Public Utilities' ("Department") decision in D.P.U. 25-177, effective March 1, 2027 the Company will (1) terminate the Company's VMP Provision; (2) conclude billing of the VMFs and the VMRFs; and (3) roll any remaining balances (positive or negative) associated with the VMFs and VMRFs into the Company's revenue decoupling mechanism ("RDM") through the revenue decoupling adjustment factors ("RDAFs"). The Company will maintain the VMP Provision through February 28, 2027, until the recovery of the currently approved VMFs and VMRFs is completed.

2.0 DEFINITIONS

2.1 Allowed O&M Expense is the actual incremental operation and maintenance ("O&M") expense incurred by the Company during the previous calendar year as a result of implementing its VM Pilot. The Company may include estimated O&M expenses for those months for which actual expenses are not yet known at the time of the cost recovery filing. Any difference between estimated O&M expenses included in Allowed O&M Expense authorized to be recovered through the VMF and actual O&M expenses for the same months, once known, shall be included as an adjustment to the subsequent calendar year's Allowed O&M Expense to be recovered in the following year. If the Allowed O&M Expense for the first year of the VM Pilot represents a partial calendar year, resulting in an amount which would not calculate a billable VMF, the Company is

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
VEGETATION MANAGEMENT PILOT PROVISION

authorized to include such Allowed O&M Expense with the following calendar year's Allowed O&M Expense in the subsequent cost recovery filing.

- 2.2 VMF is the Vegetation Management Factor that recovers the Allowed O&M Expense approved by the Department, with the recovery period beginning March 1, based on Allowed O&M Expense for the prior calendar year.
- 2.3 VMRF is the Vegetation Management Reconciliation Factor that recovers the applicable Reconciliation Adjustment. The VMRF shall be effective March 1.
- 2.4 VM Pilot is the Company's Enhanced Vegetation Management Pilot which is designed to further preventative actions that will improve distribution system resiliency, reduce storm restoration costs, preserve critical municipal infrastructure during emergency events, and increase circuit reliability both on blue sky days and during storm events.
- 2.5 Reconciliation Adjustment is the difference between the Allowed O&M Expense for recovery and the billed revenue from the VMF. The Reconciliation Adjustment shall include interest on any balance, accrued at the interest rate paid on customer deposits. The Reconciliation Adjustment shall be recovered through the VMRF.

3.0 RATE FORMULAE

3.1 VMF:

Consistent with the definitions above, the Company shall calculate the VMF pursuant to the following formula:

$$VMF_s = \frac{(O\&M \times OLA_s)}{FkWh_s}$$

Where:

- s Designates a separate factor for the following rate classes: R-1/R-2, G-1, G-2, G-3, and Streetlighting.
- VMF_s The Vegetation Management Factor, by rate class, as defined in Section 2.2.
- FkWh_s The forecasted kWhs to be delivered to the Company's retail delivery service customers in the applicable rate class.
- O&M The Allowed O&M Expense to be recovered.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
VEGETATION MANAGEMENT PILOT PROVISION

OLA_s The Overhead Line Allocator representing the percentage overhead line O&M expenses (FERC accounts 583 and 593) allocated to each rate class as determined in the Company's most recent general rate proceeding as follows:

Rate R-1/R-2	59.1%
Rate G-1	12.3%
Rate G-2	13.0%
Rate G-3	14.8%
Streetlighting	0.8%

3.2 VMRF:

Consistent with the definitions above, the Company shall calculate the VMRF pursuant to the following formula:

$$VMRF_s = \frac{(RA \times OLA_s)}{FkWh_s}$$

Where:

s Designates a separate factor for the following rate classes: R-1/R-2, G-1, G-2, G-3, and Streetlighting.

VMRF_s The Vegetation Management Reconciliation Factor, by rate class, as defined in Section 2.3.

RA VM Pilot Reconciliation Adjustment for Allowed O&M Expense, inclusive of interest, as outlined in Section 4.1.

OLA_s The Overhead Line Allocator as defined above in 3.1.

FkWh_s The forecasted kWhs to be delivered to the Company's retail delivery service customers in the applicable rate class.

3.3 Request for VM Pilot Rates

The Company shall submit to the Department its proposed VMFs and VMRFs by December 1, to become effective for usage on and after March 1.

3.4 Application of VMF and VMRF on Customer Bills

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
VEGETATION MANAGEMENT PILOT PROVISION

For billing purposes, the VMF and the VMRF will be included with the distribution kWh charge on customers' bills.

4.0 RECONCILIATION BALANCES

- 4.1 The reconciliation balance associated with the recovery of Allowed O&M Expense shall be the difference between revenue billed through the VMF and the Allowed O&M Expense authorized for recovery by the Department, determined monthly, plus carrying charges calculated on the average monthly balance using the same rate as that paid on customer deposits and then added to the end-of-month balance.