

MASSACHUSETTS ELECTRIC COMPANY  
NANTUCKET ELECTRIC COMPANY  
REVENUE DECOUPLING MECHANISM PROVISION

The prices for distribution service contained in all of the Company's tariffs are subject to adjustment to reflect the operation of its Revenue Decoupling Mechanism ("RDM").

Definitions

"Actual Billed Distribution Revenue" shall mean the amounts the Company has billed during the applicable calendar year for customer charges, distribution demand charges, distribution energy charges, Second Feeder Service charges, and any other charges or discounts that the Company records as base distribution revenue, but excluding the discount provided to Rate R-2 customers and the Residential Assistance Adjustment. Actual Billed Distribution Revenue shall exclude the RDM Adjustment Factor, as it is subject to its own reconciliation.

"Annual Target Revenue" or "ATR" shall mean the class-specific revenue requirement as approved by the Department in the Company's most recent base distribution rate case adjusted annually pursuant to the Company's Performance-Based Ratemaking ("PBR") Provision, M.D.P.U. No. 1423, as may be amended from time to time, and as otherwise adjusted and approved by the Department, less a Streetlighting Sales adjustment pursuant to the Department's directive in D.P.U. 14-136-A as defined below.

"Current Year" shall mean the calendar year immediately preceding March 1 of the year during which the proposed RDM Adjustment Factors will be in effect.

"Department" shall mean the Massachusetts Department of Public Utilities.

"Distribution Company" or "Company" shall mean Massachusetts Electric Company and Nantucket Electric Company.

"Distribution Revenue Allocator" shall be derived from the Company's most recent base distribution rate case as approved by the Department and shall be as follows by rate class:

Rate R-1/R-2	57.7%
Rate G-1	12.9%
Rate G-2	11.9%
Rate G-3	16.9%
Streetlighting	0.6%

"Forecasted kWh" shall mean the forecasted amount of electricity, as measured in kWh, to be distributed to the Company's distribution customers for the twelve month period during which the proposed RDM Adjustment Factor will be in effect.

"RDM" shall mean Revenue Decoupling Mechanism.

"RDM Adjustment Factor" shall mean a per kWh factor for each rate class equal to the difference (either positive or negative) between the Actual Billed Distribution Revenue and the ATR for the current year, allocated to the Company's rate classes through the Distribution Revenue Allocator, and each rate class's allocable share divided by the Forecasted kWh for that rate class.

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“Streetlight Sales Adjustment” shall mean the annual cumulative dollar adjustment to each year’s ATR as a result of selling its streetlighting equipment pursuant to G.L. c. 164 § 34A subsequent to the effective date of new base distribution rates resulting from a base distribution rate case. The Streetlight Sales Adjustment shall be a downward adjustment to each year’s ATR and shall be calculated as the proceeds received by the Company from the sale of its streetlighting equipment multiplied by the avoided cost of no longer owning, operating, and maintaining such equipment, stated as a percentage, as determined by the Company’s final streetlight revenue requirement. The Streetlight Sales Adjustment shall be set to zero and calculated for new streetlight sales effective with the subsequent implementation of new base distribution rates as provided for above. The Streetlight Sales Adjustment is pursuant to the Department’s directive in D.P.U. 14-136-A.

The Company’s RDM shall include an annual RDM Reconciliation which will reconcile ATR and Actual Billed Distribution Revenue for the same calendar year. The RDM Reconciliation amount (either positive or negative) shall determine the RDM Adjustment Factors. The Company shall submit a filing by January 15 of each year (“RDM Filing”), in which the Company shall propose adjustments to distribution rates to reflect the RDM Adjustment Factors to be billed to customers for the twelve months beginning March 1 following the filing. In addition, the RDM Filing shall present the current year’s ATR against which the Company shall perform its RDM Reconciliation.

I. Determination of ATR

The current year ATR for each rate class shall consist of the class-specific revenue requirement as approved by the Department in the Company’s most recent base distribution rate case and as adjusted by the Streetlight Sales Adjustment and the operation of the PBR Provision, and as otherwise adjusted and approved by the Department.

The rate class-specific revenue requirements approved by the Department are as follows:

Rate R-1/R-2	\$586,334,555
Rate G-1	\$130,530,781
Rate G-2	\$121,270,089
Rate G-3	\$171,444,114
Streetlighting	\$24,852,927
Total	\$1,034,432,466

Each year’s ATR will change during the year as a result of the Company implementing new base distribution rates approved by the Department. As a result, each year’s ATR shall reflect the number of months during which base distribution rates based upon the prior ATR were in effect and the number of months during which new base distribution rates based upon the above ATR were in effect. The proportion of ATR so determined shall be the annual ATR divided by 12 and multiplied by the number of months during the year for which it was in effect.

II. RDM Adjustment Factors

The RDM Adjustment Factors will be based on the RDM Reconciliation amount for the prior calendar year. For each calendar year, this RDM Reconciliation amount shall be equal to the difference

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(either positive or negative) between the Actual Billed Distribution Revenue, and the ATR for the same year. Since the Company's RDM Filing will reflect estimated amounts for billed distribution revenue, this estimate will be replaced with and reconciled to actual billed revenue in the subsequent RDM Filing. The amount of over- or under-recovery resulting from the RDM Reconciliation shall be used to determine a rate class specific per kilowatt-hour RDM Adjustment Factor based on Forecasted kWh for each rate class. The amount of over- or under-recovery shall be allocated to the rate classes by applying the Distribution Revenue Allocator. The amount approved by the Department to be recovered or refunded through the RDM Adjustment Factors shall be subject to reconciliation.

III. Cap on RDM Adjustment Factors

By January 15 following each calendar year, the Company shall submit to the Department its proposed RDM Adjustment Factors effective for consumption on and after March 1 following such filing and will be included with each rate class' distribution energy charge for billing purposes. If the total amount to be reflected in the RDM Adjustment Factors represents an under-recovery of ATR to be recovered from customers as determined in accordance with Sections I and II, the amount to be reflected in the RDM Adjustment Factors effective March 1 following such filing may not exceed one percent (1%) of total revenue as recorded during the prior calendar year. Total revenue shall include amounts that the Company has billed customers through applicable charges for distribution service, transmission service, transition charges, Energy Efficiency, Basic Service, and any and all related adjustment factors. Total revenue shall also include an adjustment for electric supply for those customers who were with competitive suppliers during the year. To the extent that the application of this revenue cap results in a RDM rate adjustment that is less than that calculated in accordance with Sections I and II, the difference shall be deferred with interest calculated at the Customer Deposit Rate and included in the RDM Reconciliation for recovery in subsequent years. If the total amount to be reflected in the RDM Adjustment Factors represents an over-recovery of ATR to be credited to customers as determined in accordance with Sections I and II, the entire amount is to be reflected in the RDM Adjustment Factors effective March 1 following such filing.

IV. Interim RDM Adjustments

If at any time during the year, the total of cumulative distribution revenue excess/shortfall for the Company in total is estimated to be 10% above or below the Company's ATR for the current year, the Company will petition the Department for an interim adjustment prior to its next scheduled RDM Filing.

V. Adjustments to Rates

Each adjustment of the prices under the Company's applicable tariffs shall be in accordance with a notice filed with the Department on or before January 15 following each calendar year setting forth the amount of the increase or decrease and the new RDM Adjustment Factors. The notice shall further specify the effective date of such adjustment, which shall be March 1 following the filing of the notice, or such other date as the Department may authorize.

This provision is applicable to all Retail Delivery Service tariffs of the Company. The operation of this RDM Provision is subject to Chapter 164 of the General Laws.