

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY

PENSION/PBOP ADJUSTMENT MECHANISM PROVISION

The Company's rates for Retail Delivery Service are subject to a Pension and Post-retirement Benefits other than Pension ("PBOP") Adjustment Factor ("PAF") designed to recover the Company's uncapitalized expense associated with Pension and PBOP recorded on the Company's books of account pursuant to ASC 715 relating to distribution operating and maintenance.

Effective on October 1, 2024, and pursuant to the Order issued on September 30, 2024 in D.P.U. 23-150, Pension and PBOP expenses are included for recovery in base distribution rates and are no longer recovered through the PAF. The Company may recover the remaining balance of the unamortized Pension and PBOP expenses in its subsequent Pension Adjustment Mechanism ("PAM") filing, to be submitted by or before January 15, 2025. The total unamortized balance, or the "Unamortized Reconciliation Deferral", shall include: (1) the unamortized Pension and PBOP expense deferral as of September 30, 2024; (2) the reconciliation of the calendar year 2024 Pension and PBOP expenses; and (3) the under- or over-recovery through the Company's PAF as of the reconciliation date. The unamortized Pension and PBOP expense deferral as of September 30, 2024 is the amount of unamortized reconciliation deferral as of September 30, 2023, and subtracting the amount of the Company's reconciliation adjustment for 2024 as filed in D.P.U. 24-03, Exhibit NG-2, at 2, Lines 8 and 9. The reconciliation of the calendar year 2024 Pension and PBOP expenses is the actual calendar year 2024 Pension and PBOP expense, excluding Energy Efficiency related Pension and PBOP, and subtracting the calendar year 2024 Pension and PBOP expenses as filed in D.P.U. 24-03, Exhibit NG-2, at 2, Line 1. The under- or over-recovery through the Company's PAF as of September 30, 2024 will be calculated on the prime rate filed in the next PAM filing as illustrated in D.P.U. 24-03, Exhibit NG-2, at 12. Beginning with the PAM filing on January 15, 2025, the Company will no longer recover carrying charges on prepaid Pension and PBOP amounts.

The Pension Adjustment shall be allocated to the Company's rate classes by applying the Labor Allocator shown below. The PAF for each rate class shall be based on the estimated kilowatt-hours to be delivered by the Company to each rate class.

The Company shall use the following formula when computing the PAF:

$$PAFs_x = \frac{(URD + PPRA_y) \times LAs}{kWhs}$$

Where:

PAF = the annual Pension/PBOP adjustment factor

URD = the remaining Unamortized Reconciliation Deferral balance as of September 30, 2024 as defined above.

PPRA_y = the past period reconciliation amount is (a) the difference between: (1) the amount of PAF revenue that should have been received in the prior year; and (2) the amount of PAF revenue actually received in the prior year and (b) the amount computed in the clause (a) times the Bank of America prime lending rate.

kWh = annual forecasted kWh deliveries.

x = the current recovery year March through February.

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- s = Designates a separate factor for the following rate classes: R-1/R-2, G-1, G-2, G-3, and Streetlighting.
- y = the reconciliation period October through September prior to the recovery year
- LA = Labor Allocator is derived from the Company's most recent base distribution rate case as approved by the Department and shall be as follows by rate class:

R-1/R-2	60.2%
G-1	12.4%
G-2	10.1%
G-3	14.3%
Streetlighting	3.0%

For billing purposes, the PAF will be included with the distribution kWh charge on customer's bills.

Each adjustment of the prices under the Company's applicable tariffs shall be in accordance with a notice filed with the Department setting forth the amount of the increase or decrease and the new PAF. The notice shall further specify the effective date of such adjustment, which shall not be earlier than 45 days after 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 Pension/PBOP Adjustment Mechanism Provision is subject to Chapter 164 of the General Laws.