

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
VEGETATION MANAGEMENT PILOT PROVISION

1.0 APPLICABILITY

The Company's Vegetation Management Pilot ("VMP") Provision provides for the recovery of incremental costs associated with the Company's Enhanced Vegetation Management Pilot ("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, and such recovery shall continue through this VMP Provision until such time as the Department may approve recovery of Allowed O&M Expense through base distribution rates.

The VM Pilot shall have a term of five and one-half years, commencing April 1, 2019 through September 30, 2024 ("VM Pilot Term"), unless the Department authorizes an extension of the term. 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 shall file for recovery of calendar year Allowed O&M Expense, commencing with calendar year 2018 through calendar year 2024.

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 VMF and VMRF shall be determined annually by the Company, subject to the Department's review and approval. The operation of this VMP Provision is subject to Chapter 164 of the General Laws.

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

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- 2.2 VMF is the Vegetation Management Factor that recovers the Allowed O&M Expense approved by the Department, with the annual recovery period beginning March 1 each year, 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 each year.
- 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 annual Allowed O&M Expense to be recovered.
- 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:

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Rate R-1/R-2	53.8%
Rate G-1	14.1%
Rate G-2	15.2%
Rate G-3	16.0%
Streetlighting	0.9%

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 annually 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

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

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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.