MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
ENERGY EFFICIENCY PROVISION

All Customers receiving Retail Delivery Service from Massachusetts Electric Company and Nantucket Electric Company (together "the Company") will be charged a base Energy Efficiency ("EE") Charge of 0.250¢ per kWh pursuant to G.L. c. 25, § 19(a).

This charge shall fund energy efficiency activities of the Company, including, but not limited to, demand side management programs. Such activities shall be reviewed and approved by the Department of Public Utilities ("M.D.P.U." or "Department").

Energy Efficiency Reconciling Factors ("EERF")

G.L. c. 25, § 19(a) requires that, in addition to the base EE Charge, energy efficiency programs shall also be funded, without further appropriation, by (1) amounts generated by the distribution companies and municipal aggregators under the Forward Capacity Market program administered by the Independent System Operator-New England, as defined in § 1 of Chapter 164; (2) cap and trade pollution control programs, including, but not limited to, and subject to § 22 of Chapter 21A, not less than 80 percent of amounts generated by the carbon dioxide allowance trading mechanism established under the Regional Greenhouse Gas Initiative Memorandum of Understanding, as defined in subsection (a) of § 22 of Chapter 21A, and the NOx Allowance Trading Program; and (3) other funding as approved by the M.D.P.U.

The Company's annual EERFs are designed to collect the estimated incremental costs of the Company's proposed EE programs for the year which represents those costs that are in excess of the expected funding. For billing purposes, the EERFs will be included with the EE Charge on all retail delivery service customers' bills.

In addition, on an annual basis, the Company shall reconcile its total actual expenditures, including associated working capital costs and performance based shareholder incentives, incurred to implement the EE programs approved by the D.P.U. for the current program year against the total funding available to offset these costs, and the excess or deficiency shall be refunded to, or collected from, customers through the EERF implemented in a subsequent year. Any positive or negative balance will accrue interest calculated at the rate in effect for customer deposits.

The EERF will be calculated separately for each customer sector. For purposes of this calculation, customer sectors are defined as follows:

Residential (Rate R-1)

Residential Income-Eligible (Rate R-2)

Commercial and Industrial (Rates G-1, G-2, G-3 and all Street Lighting rates).

Specifically, the EERF for the Residential and Commercial and Industrial customer sectors will be calculated as:

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$EERF_x = (EEE_x - EEC_x - OR_x + PPRA_{x-1} + I_x) \div FkWh_x + WCF_x$

where

$WCF_x = (EEE_x \times WCP_x \times WACC_x) \div FkWh_x$

$EERF_x$ = The annual Energy Efficiency Reconciling Factor for year "x" for each customer sector.

EEE_x = The forecasted total Energy Efficiency expenditures for year "x," by customer sector, as included in the Company's Energy Efficiency plan budget, including program planning and administration costs; marketing costs; sales costs; technical assistance and training costs; evaluation and market research costs; and performance incentives. Also included are all Energy Efficiency-related labor benefits, including pension and postretirement benefits other than pension expenses.

EEC_x = The forecasted revenues collected from the EE Charge for year "x" for each customer sector.

WCF_x = The annual Working Capital Factor for year "x" for each customer sector to recover the forecasted total working capital allowance associated with Energy Efficiency expenditures.

WCP_x = The working capital percentage as approved in the Company's most recent base distribution rate case.

$WACC_x$ = The Weighted Cost of Capital as approved in the Company's most recent base distribution rate case adjusted to include the impact of income taxes at the rates in effect during year x.

OR_x = Forecasted Other Revenues for year "x" to be collected by the Company under the Forward Capacity Market program administered by ISO-NE, as defined in Section 1 of G.L. Chapter 164; the cap and trade pollution control programs, including, but not limited to, and subject to Section 22 of G.L. Chapter 21A, not less than 80 percent of amounts generated by the carbon dioxide allowance trading mechanism established under the Regional Greenhouse Gas Initiative Memorandum of Understanding, as defined in subsection (a) of Section 22 of G.L. Chapter 21A allocated in proportion to each customer sector's statewide Greenhouse Gas ("GHG") emissions reduction goals as determined by the Secretary of Energy and Environmental Affairs per Section 21 of G.L. Chapter 25, and the NOx Allowance Trading Program; or any other funding as approved by the Department for Energy Efficiency programs. ORx, other than Reginal Greenhouse Gas Initiative funds, will be allocated to each customer sector in proportion to the sector's kWh consumption.

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$PPRA_{x-1}$ = The Past Period Reconciliation Amount for each customer sector defined as the difference between (a) the amounts actually expended for the previous years for Energy Efficiency programs including working capital as approved by the Department and (b) the revenues actually collected in previous years for Energy Efficiency programs as approved by the Department. Interest calculated on the average monthly balance using the customer deposit rate, as outlined in 220 CMR 26.09, shall also be included in the PPRA. The rate of interest, effective February 1 each year, shall be the equivalent of the rate paid on two-year, United States Treasury notes for the preceding 12 months ending December 31.

I_x = The estimated interest for the forecast year "x."

$FkWh_x$ = The Forecasted kWh defined as the forecasted amount of electricity to be distributed to the Company's distribution customers for the year "x" for each customer sector. For effective dates prior to November 1, 2024, forecasted kWh used to calculate the Residential EERF will include only Residential Rate R-1. For effective dates November 1, 2024 and later, forecasted kWh used to calculate the Residential EERF will include Residential Rate R-1 and Residential Income-Eligible Rate R-2. For purposes of calculating the Income-Eligible EERF, forecasted kWh will be defined as total company-wide (i.e. the sum of all customer sectors) kWh sales.

The EERF applicable to the Residential and the Commercial and Industrial sectors will be the sum of those individual sector EERFs, as calculated above, plus each sector's share of the Income-Eligible customer sector's estimated revenue shortfall.

Specifically, the Income-Eligible Revenue Shortfall ("IERS") will be calculated as:

$$IERS_x = EEE_{IEx} - EEC_{IE\,x} - OR_{IE\,x} + PPRA_{IEx-1} + I_{IEx} + WC_{IEx}$$

Where

$$WC_{IE\,x} = EEE_{IE\,x} \times WCP_x \times WACC_x$$

EEE_{IEx} = The forecasted total Energy Efficiency expenditures for the Income-Eligible customer sector for year "x," as included in the Company's Energy Efficiency plan budget, including program planning and administration costs; marketing costs; sales costs; technical assistance and training costs; evaluation and market research costs; and performance incentives. Also included are all Energy Efficiency-related labor benefits, including pension and postretirement benefits other than pension expenses.

EEC_{IEx} = The forecasted revenues collected from the EE Charge for year "x" for the Income-Eligible customer sector.

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WC_{IEx} = The forecasted total working capital allowance associated with Income-Eligible Energy Efficiency expenditures for year "x."

OR_{IEx} = Forecasted Other Revenues for year "x" to be collected by the Company under the Forward Capacity Market program administered by ISO-NE, as defined in Section 1 of G.L. Chapter 164; the cap and trade pollution control programs, including, but not limited to, and subject to Section 22 of G.L. Chapter 21A, not less than 80 percent of amounts generated by the carbon dioxide allowance trading mechanism established under the Regional Greenhouse Gas Initiative Memorandum of Understanding, as defined in subsection (a) of Section 22 of G.L. Chapter 21A allocated in proportion to each customer sector's statewide GHG emissions reduction goals as determined by the Secretary of Energy and Environmental Affairs per Section 21 of G.L. Chapter 25, and the NOx Allowance Trading Program; or any other funding as approved by the Department for Energy Efficiency programs. OR_{IEx} other than Reginal Greenhouse Gas Initiative funds, will be allocated to the Income-Eligible sector in proportion to the Income-Eligible sector's kWh consumption.

$PPRA_{IEx-1}$ = The Past Period Reconciliation Amount for the Income-Eligible customer sector defined as the difference between (a) the amounts actually expended for the previous years for Income-Eligible Energy Efficiency programs including working capital as approved by the Department and (b) the revenues actually collected in previous years for Income-Eligible Energy Efficiency programs as approved by the Department. Interest calculated on the average monthly balance using the customer deposit rate, as outlined in 220 CMR 26.09, shall also be included in the PPRA. The rate of interest, effective February 1 of each year, shall be the equivalent of the rate paid on two-year, United States Treasury notes for the preceding 12 months ending December 31.

I_{IEx} = The estimated interest for the forecast year "x."

The Income-Eligible Revenue Shortfall shall be allocated to the Residential and Commercial and Industrial customer sectors by applying the Distribution Revenue Allocator, which shall be derived from the Company's most recent base distribution rate case as approved by the Department and shall be as follows by customer sector:

Residential and Income-Eligible	60.6%
Commercial and Industrial	39.4%

The amount allocated to each customer sector shall be divided by the FkWh for each customer sector to determine the per kWh factor to be added to each customer sector's calculated EERF. Forecasted kWh for Residential Rate R-1 and Residential Income-Eligible Rate R-2 will be used to calculate the Residential sector factor associated with the Income-Eligible Revenue Shortfall and forecasted kWh for rates G-1, G-2, G-3 and Street Lighting rates will be used to calculate the Commercial and Industrial sector factor associated with the Income-Eligible Revenue Shortfall.

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For effective dates prior to November 1, 2024, the Income-Eligible customer sector's EERF will be equal to the Residential customer sector's share of the LIRS. For effective dates November 1, 2024 and later, the Income-Eligible sector's EERF will be the same as the Residential sector's EERF.

The Company will file its EERFs on or before March 1 of each year for effect May 1 unless otherwise ordered by the Department. Each adjustment of the prices under the Company's applicable rates shall be in accordance with a notice filed with the Department setting forth the amount of the increase or decrease and the new Energy Efficiency Reconciling Factor amounts.

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