

ENERGY EFFICIENCY CHARGES

1.01 Purpose

The purpose of this tariff is to provide the Company a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department, its rates for customers of distribution service to recover all costs associated with energy efficiency and to reconcile energy efficiency revenue amounts included in the Company's distribution rates with the total expense amounts for energy efficiency programs booked by the Company or a municipal aggregator with a Department of Public Utilities approved energy efficiency plan in the Company's service territory ("Municipal Aggregator").

1.02 Applicability

The Energy Efficiency Charge is comprised of two components to be billed on a monthly basis: a System Benefits ("SBC") charge of \$0.00250/kWh pursuant to G.L. c. 25, § 19(a); Guidelines, § 2.16 and an Energy Efficiency Reconciliation Factor ("EERF"). The SBC and EERF shall be applicable to all firm electricity, as measured in kilowatt-hours ("kWhs"), delivered by the Company under retail tariffs unless otherwise designated.

Where applicable, a separate EERF shall be calculated and charged to: (a) the Company's distribution customers in municipalities not served by a Municipal Aggregator, and (b) the Company's distribution customers in municipalities served by the Municipal Aggregator. Each EERF shall be applicable to all firm distribution of electricity to such customers, as measured in kilowatt-hours ("kWhs"), delivered by the Company unless otherwise designated. In Eastern Massachusetts, the EERF shall be included in the Energy Efficiency Charge for billing purposes.

The calculation of the EERF, as set forth in Section 1.04, for a Municipal Aggregator shall exclude the Lost Base Revenue ("LBR") element of the formula.

1.03 Effective Date

The date on which the annual EERF becomes effective shall be the first day of July of each calendar year, unless otherwise ordered by the Department.

1.04 EERF Formulas

$$EERF_R = (EEE_R + LBR_R - SBC_R - OR_R + PPRA_R + I_R) / FkWh_R + EERF_{LI}$$

$$EERF_{CI} = (EEE_{CI} + LBR_{CI} - SBC_{CI} - OR_{CI} + PPRA_{CI} + I_{CI}) / FkWh_{CI} + EERF_{LI}$$

Where

LI = Low Income customer class

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R = Residential customer class

CI = Commercial & Industrial customer class

EERF = The annual Energy Efficiency Reconciliation Factor applicable in the recovery year

EEE = The forecasted total Energy Efficiency expenditures in the recovery year as included in the Company's or Municipal Aggregator's Energy Efficiency plan budget, including program planning and administration costs; marketing costs; sales, technical assistance, and training costs; evaluation and market research costs; customer incentives and rebates; and performance incentives.

LBR = The Lost Base Revenues to be retained by the Company for the year prior to the recovery year as determined by multiplying: (a) annual incremental kWh savings resulting from Energy Efficiency programs by (b) each respective rate category recovery rate, both as approved by the Department pursuant to the established Guidelines § 4.1.2, 3.3.1. Lost Base Revenues shall be determined and recovered only from the Company's Eastern Massachusetts customers. LBR shall be set to zero for the Company's Western Massachusetts customers. The Company will cease to recover the Lost Base Revenues associated with energy efficiency actions taken on or after February 1, 2018.

SBC = The forecasted revenues collected from the System Benefits charge for the recovery year

OR = Forecasted Other Revenues for the recovery year to be collected by the Company or Municipal Aggregator 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 per cent 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, and the NOx Allowance Trading Program; or any other funding as approved by the Department for Energy Efficiency programs.

PPRA = The Past Period Reconciliation Amount defined as the difference between (a) the amounts actually expended for the previous years for Energy Efficiency programs as approved by the Department for the Company or Municipal Aggregator and (b) the revenues actually collected for the Company or Municipal Aggregator 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

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interest, effective February 1st 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 = Interest at the customer deposit rate for the recovery year based on monthly under/over recovery balances.
- FkWh = The Forecasted kWh defined as the forecasted amount of electricity to be distributed, as applicable, to either: (a) the Company's distribution customers exclusive of customers in municipalities served by a Municipal Aggregator for the recovery year; or (b) the Company's distribution customers in municipalities served by the Municipal Aggregator for the recovery year.

The $EERF_{LI}$ shall be based on the Low Income Revenue Requirement ("LIRR") as follows:

$$LIRR = (EEE_{LI} + LBR_{LI} - SBC_{LI} - OR_{LI} + PPRA_{LI} + I_{LI})$$

Effective July 1, 2018, the LIRR shall be allocated to each customer class by applying the Base Distribution Revenue Allocator for each territory as shown below.

<u>Customer Class</u>	<u>Eastern Massachusetts</u>	<u>Western Massachusetts</u>
Residential	44.630%	56.171%
Commercial & Industrial	55.370%	43.829%

Effective July 1, 2019, the LIRR shall be allocated to each customer class by applying the Base Distribution Revenue Allocator as shown below.

<u>Customer Class</u>	<u>Eastern and Western Massachusetts</u>
Residential	45.720%
Commercial & Industrial	54.280%

The $EERF_{LI}$ for both the Residential and Low Income customer classes will be equal to the Residential and Low Income classes' allocated share of the LIRR divided by the FkWh for this combined class. The $EERF_{LI}$ for the Commercial and Industrial customer class shall be equal to its allocated share of the LIRR divided by the FkWh for that customer class.

1.03 Reconciliation

The Company shall reconcile actual expenditures incurred for Energy Efficiency programs approved by the Department of Public Utilities (the "Department") for the Company or for a Municipal Aggregator that differ from the revenues collected from the SBC through the EERF

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calculated separately for the Residential, Residential Low-Income and Commercial & Industrial (“C&I”) customer classes.

1.04 Information Required to be Filed with the Department

The EERF shall be established as part of the Company’s Energy Efficiency Three-Year Plan approval process. Annually, a full reconciliation and adjustment for any over- or under-recoveries occurring under the prior year’s adjustment shall be filed with the Department. Any required adjustment as a result of the annual reconciliation is subject to approval by the Department. Such filing shall include preliminary reconciliation data for the year in which the filing is made, with actual not estimated reconciliation amounts to be submitted the subsequent year. Additionally, the Company or Municipal Aggregator, as appropriate, will file with the Department a complete list by (sub)account of all Energy Efficiency accounts claimed as recoverable through the EERF over the relevant calendar year. This information will be submitted with each annual EERF filing, along with complete documentation of the reconciliation-adjustment calculations.

1.05 Customer Notification

The Company will notify customers in simple terms of changes to the EERF, including the nature of the change and the manner in which the EERF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each EERF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail or with its bills.

1.06 Regulatory Authority

This tariff is governed by the provisions of G.L. c. 164, §§ 76 and 94; 220 C.M.R. 5.00 et seq.; the Green Communities Act, Chapter 169 of the Acts of 2008; G.L. c. 25, § 19(a) and (b); G.L. c. 25, § 21(b)(2)(vii); the Department’s final decision in D.P.U. 08-117 and any subsequent orders of the Department in furtherance thereof or related thereto.