

PENSION/PBOP ADJUSTMENT MECHANISM

1.01 Purpose

The purpose of the Pension/PBOP Adjustment Mechanism is to provide NSTAR Electric d/b/a Eversource Energy, (the “Company”) a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Public Utilities (the “Department”), its rates for customers of distribution service to recover costs associated with pension and post-retirement benefits other than pensions (“PBOPs”) and to reconcile pension and PBOP expense amounts included in the Company’s distribution rates with the total expense amounts booked by the Company pursuant to SFAS 87 and SFAS 106.

1.02 Applicability

This Pension/PBOP Adjustment Mechanism shall be applicable to all firm electricity, as measured in kilowatt-hours (“kWhs”), delivered by the Company under retail tariffs unless otherwise designated. For billing purposes in Eastern Massachusetts, the Pension/PBOP Adjustment Factor (“PAF”), as provided for herein, shall be included in the Distribution Charge.

1.03 Effective Date of Annual Adjustment Factor

The date on which the annual Pension/PBOP Adjustment Factor (“PAF”) becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 30 days before the filing is to take effect.

1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) “Distribution Company” or “Company” is NSTAR Electric Company d/b/a Eversource Energy.
- (2) “ERISA” is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.
- (3) “Pension Plan” is a Qualified Pension Plan, as defined by ERISA.
- (4) “Post Retirement Plan Other Than Pension Plan” is a Qualified PBOP, as defined by ERISA.
- (5) “Pre-Paid Amount” is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Company’s allocation of its total amounts. The

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Pre-Paid Amount will be adjusted for amounts recognized and recovered in the Company's transmission costs of service in accordance with the approved FERC tariffs.

- (6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.
- (7) "Reconciliation Deferral" is the difference between: (1) the total pension and PBOP expense amounts included in the Company's rates (including both base rates and the PAF); and (2) the total expense amounts booked by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106.

1.05 Pension and PBOP Adjustment Factor Formula

$$PAF_S = [(RA_X + cc(URD_X + APPA_X - DTA_X) + PPRA_X) * LA_S] / FkWh_S$$

PAF_S = The annual Pension/PBOP Adjustment Factor by Rate Class.

RA_x = The Reconciliation Adjustment for Year_x is one-third of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD_x = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of Year_x the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

cc = The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department.

APPA_x = The Average Pre-Paid Amount, for Year_x is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year.

DTA_x = The Deferred Tax Amount is the deferred taxes associated with (i) the Average Pre-Paid Amount and (ii) the URD at the end of the Prior Year.

PPRA_x = The Past Period Reconciliation Amount is the sum of: (a) the difference between (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).

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LA_s = The Labor Allocator for each Rate Class Sector as set forth below.

FkWh_s = Forecasted amount of electricity to be distributed to the Company's distribution customers by Rate Class for the upcoming calendar year.

Effective February 1, 2018, the PAF shall be calculated separately for Eastern Massachusetts and Western Massachusetts and the revenue requirement calculated herein for Eastern Massachusetts and Western Massachusetts shall be allocated to all rate classes by applying the Labor Allocator for each territory as shown below.

Service Territory/Area	Rate Classes	Labor Allocator
Eastern Massachusetts	R-1/R-2	43.958%
Eastern Massachusetts	R-3/R-4	5.452%
Greater Boston	G-1/T-1	3.858%
Greater Boston	G-2/T-2	24.188%
Greater Boston	G-3/SBG3/WR	7.521%
Cambridge	G-0/G-1/G-6	1.061%
Cambridge	G-2	1.875%
Cambridge	G-3/SB1/SBG3	1.651%
Cambridge	G-4	0.032%
Cambridge	G-5	0.051%
South Shore, Cape Cod, Martha's Vineyard	G-1/G-7	5.883%
South Shore, Cape Cod, Martha's Vineyard	G-2	1.672%
South Shore, Cape Cod, Martha's Vineyard	G-3	1.046%
South Shore, Cape Cod, Martha's Vineyard	G-4	0.014%
South Shore, Cape Cod, Martha's Vineyard	G-5	0.130%
South Shore, Cape Cod, Martha's Vineyard	G-6	0.022%
Eastern Massachusetts	S-1/S-2	1.586%
Total		100.000%

Service Territory/Area	Rate Classes	Labor Allocator
Western Massachusetts	R-1/R-2	45.690%
Western Massachusetts	R-3/R-4	9.278%
Western Massachusetts	23/24/G-0/T-0	18.847%
Western Massachusetts	G-2/T-4	7.558%
Western Massachusetts	T-2	10.840%
Western Massachusetts	T-5	4.103%
Western Massachusetts	S-1/S-2	3.684%
Total		100.000%

Effective January 1, 2019, the revenue requirement calculated herein shall be combined for Eastern and

**Issued by: Craig A. Hallstrom
President**

**Filed: October 31, 2018
Effective: January 1, 2019**

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Western Massachusetts and allocated to all rate classes by applying the Labor Allocator as shown below.

Service Territory/Area	Rate Classes	Labor Allocator
All	R-1/R-2	44.192%
All	R-3/R-4	5.968%
Greater Boston	G-1/T-1	3.338%
Greater Boston	G-2/T-2	20.927%
Greater Boston	G-3/WR	6.507%
Cambridge	G-0/G-1/G-6	0.918%
Cambridge	G-2	1.622%
Cambridge	G-3/SB1	1.428%
Cambridge	G-4	0.028%
Cambridge	G-5	0.044%
South Shore, Cape Cod, Martha's Vineyard	G-1/G-7	5.090%
South Shore, Cape Cod, Martha's Vineyard	G-2	1.446%
South Shore, Cape Cod, Martha's Vineyard	G-3	0.905%
South Shore, Cape Cod, Martha's Vineyard	G-4	0.012%
South Shore, Cape Cod, Martha's Vineyard	G-5	0.113%
South Shore, Cape Cod, Martha's Vineyard	G-6	0.019%
Western Massachusetts	23/24/G-0/T-0	2.541%
Western Massachusetts	G-2/T-4	1.019%
Western Massachusetts	T-2	1.461%
Western Massachusetts	T-5	0.553%
Eastern Massachusetts	S-1/S-2	1.372%
Western Massachusetts	S-1/S-2	0.497%
Total		100.000%

The effective rates for the PAF, shall be as referenced in M.D.P.U. No. 1 for Eastern Massachusetts and M.D.P.U. No. 2 for Western Massachusetts as in effect from time to time.

1.06 Information Required to be Filed with the Department

Information pertaining to the Pension Adjustment Mechanism shall be filed with the Department at least thirty (30) days before the date on which a new PAF is to be effective. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant calendar year. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

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1.07 Customer Notification

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF 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 PAF 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.