

**REVENUE DECOUPLING ADJUSTMENT MECHANISM**

**1.01 Purpose**

The purpose of the Revenue Decoupling Adjustment Mechanism is to provide a mechanism for the annual reconciliation of the Company's distribution revenue and adjustment of the Company's distribution rates in accordance with the revenue decoupling mechanism provided herein.

**1.02 Applicability**

The determination of revenue reconciliation and rate adjustment pursuant to this schedule shall apply to all electricity, measured in kWhs, delivered by the Company to its customers under its distribution service tariffs.

**1.03 Definitions**

The terms set forth below shall be defined as follows:

- (a) Actual Revenue ("AR") shall mean the amount of billed Base Distribution Revenue recorded on the Company's accounting books for each rate class during each annual period upon which the revenue decoupling adjustment under this schedule is determined (i.e., each "Rate Year"). AR shall be determined on a monthly basis. To the extent that AR is not available at the time of the Company's annual filing of this mechanism, the Company will provide an estimate which will be trued up in a subsequent filing per Section 1.04 of this schedule.
- (b) Base Distribution Rates and Base Distribution Revenue shall mean the rates and corresponding revenue associated with prices for the distribution component of service under the Company's rate schedules for electric service. Distribution rates and revenue associated with the Residential Assistance Adjustment Clause are excluded from the RDAM under this schedule.
- (c) Department shall mean the Massachusetts Department of Public Utilities.
- (d) Distribution Company ("Company") shall mean NSTAR Electric Company d/b/a Eversource Energy.
- (e) Decoupling Adjustment shall mean an annual revenue adjustment from the reconciliation of Target Revenue and Actual Revenue that is developed and applied to customer bills on a per kWh basis.

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- (f) Revenue Decoupling Adjustment Mechanism (“RDAM”) shall mean the overall mechanism to adjust rates on an annual basis to reflect reconciliation of Target Revenue vs. Actual Revenue.
- (g) Street Light Sales Adjustment shall mean the annual cumulative dollar adjustment to each year’s Target Revenue as a result of selling its street lighting equipment pursuant to G.L. c. 164 § 34A subsequent to the effective date of new base distribution rates resulting from a general rate case. The Streetlight Sales Adjustment shall be a downward adjustment to each year’s Target Revenue and shall be calculated as the proceeds received by the Company from the sale of its street lighting equipment multiplied by the avoided cost of no longer owning, operating, and maintaining such equipment, stated as a percentage, as determined by the Company’s final streetlight revenue requirement. The Street Light Sales Adjustment shall be set to zero and calculated for new streetlight sales effective with the subsequent implementation of new base distribution rates as provided for above.
- (h) Target Revenue shall mean the annual Base Distribution Revenue for a given Rate Year upon which distribution rates are designed, less a Street Lighting Sales adjustment as defined above, and against which Actual Revenue is compared for purposes of determining the Decoupling Adjustment.

**1.04 Approved Target Revenue**

Annual Target Revenue shall be set equal to the annual revenue requirement approved and utilized to set Base Distribution rates in compliance with the Order in D.P.U. 22-22 and as adjusted by the Performance Based Revenue Adjustment Mechanism set forth in M.D.P.U. No. 59.

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2024 Base Revenue Requirement by Rate Class

| Service Territory/Area                   | Rate Classes | Annual Target Revenue |
|--|--------------|-----------------------|
| All                                      | R-1/R-2      | \$563,136,801         |
| All                                      | R-3/R-4      | \$61,807,988          |
| Greater Boston                           | G-1/T-1      | \$162,472,518         |
| Greater Boston                           | G-2          | \$178,532,423         |
| Greater Boston                           | G-3/WR       | \$83,184,624          |
| Cambridge                                | G-1/G-6      | \$9,343,897           |
| Cambridge                                | G-2          | \$15,200,053          |
| Cambridge                                | G-3/SB1      | \$10,009,021          |
| Cambridge                                | G-5          | \$131,772             |
| South Shore, Cape Cod, Martha's Vineyard | G-1/G-7      | \$45,815,299          |
| South Shore, Cape Cod, Martha's Vineyard | G-2          | \$11,556,208          |
| South Shore, Cape Cod, Martha's Vineyard | G-3          | \$8,375,730           |
| South Shore, Cape Cod, Martha's Vineyard | G-4          | \$93,665              |
| South Shore, Cape Cod, Martha's Vineyard | G-6          | \$105,688             |
| Western Massachusetts                    | 23           | \$5,854               |
| Western Massachusetts                    | 24           | \$339,158             |
| Western Massachusetts                    | G-1          | \$31,103,176          |
| Western Massachusetts                    | G-2/T-4      | \$11,918,761          |
| Western Massachusetts                    | G-3          | \$18,277,869          |
| Western Massachusetts                    | T-5          | \$6,673,941           |
| All                                      | S-1          | \$9,690,245           |
| All                                      | S-2          | \$2,563,117           |
| Total*                                   |              | \$1,230,337,809       |

\*Total may not foot due to rounding

**1.05 Annual Decoupling Adjustment**

An annual adjustment to delivery charges in a given Rate Year shall be made to reconcile Target Revenue with Actual Revenue received during the immediately preceding Rate Year. The calculation of this adjustment shall be made as described below and submitted to the Department by November 1<sup>st</sup> of each year and shall be applied to delivery charges effective on January 1<sup>st</sup> of the following Rate Year. The calculation shall include all available actual monthly billed revenue reported for each Rate Class during the current Rate Year, and an estimate of actual monthly revenue for the remainder of the Rate Year.

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Accordingly, the annual Decoupling Adjustment shall include a reconciliation of the estimated revenues in a subsequent Decoupling Adjustment submittal. The annual Decoupling Adjustment shall be calculated in accordance with the following formula, and applied in the upcoming Rate Year.

$$RDAF_i = (TR_{i-1} - AR_{i-1} + PPA_i) * BDRA / FkWh_i$$

where,

$RDAF_i$  = the Decoupling Adjustment factor applicable during year  $i$ ,  
 $TR_{i-1}$  = the total Target Revenue provided in Section 1.04 of this schedule,  
 $AR_{i-1}$  = the Actual Revenue reported during year  $i-1$ ,  
 $PPA_i$  = the reconciliation in the upcoming Rate Year of estimated Actual Revenue included in prior period calculations of the RDAF including interest at the prime rate as published in the *Wall Street Journal*, and the recovery of any deferred amounts pursuant to Section 1.07,  
 $FkWh_i$  = the forecast of total kWh sales by Rate Class Group applicable in the upcoming Rate Year, defined as the forecasted amount of electricity to be distributed to the Distribution Company's distribution customers, and

$BDRA$  = Base Distribution Revenue Allocator

Effective January 1, 2023, the revenue requirement calculated herein shall be allocated to all rate class groups by applying the Base Distribution Revenue Allocator as follows:

| Rate Class Group                   | Base Distribution Revenue Allocator |
|------------------------------------|-------------------------------------|
| Residential                        | 50.795%                             |
| Small General Service/Streetlights | 21.268%                             |
| Medium General Service             | 17.654%                             |
| Large General Service              | 10.283%                             |
| Total                              | 100.000%                            |

\*Total may not foot due to rounding

The RDAF in each Rate Year shall be applied to the kWh of Distribution Service billed to each customer during such year.

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**1.06 Adjustments to Rates**

Calculations of these rate adjustments shall be submitted to the Department as part of the Company's filing on or before November 1<sup>st</sup> of each year, for changes to rates effective January 1 of the subsequent Rate Year. All rate adjustments shall be subject to review and approval of the Department, and the notice provisions provided in this schedule.

**1.07 RDAM Cap**

There will be a 1% annual cap on the Decoupling Adjustment, which shall be calculated on the basis of total revenue in the most recent calendar year. The amount of any unrecovered revenue from this cap provision shall be deferred for recovery through the RDAF in the next period with carrying charges at the prime rate, as published in the *Wall Street Journal*.

**1.08 Annual Reporting Requirements**

As part of its annual filing, the Company shall submit the following information for its residential, commercial, industrial and street lighting customers: (1) monthly kWh sales; (2) weather normalized kWh sales; (3) lost base revenue from energy efficiency programs for the most recent calendar year available; and (4) forecasted sales for the next two years.

**1.09 Notice Provision**

Adjustments to delivery rates resulting from application of the RDM under this schedule shall be in accordance with a notice filed with the Department at the time of the Company's filing to be made on or before November 1 of each year. Such notice shall set forth the amount of increase or decrease and the factors applied in making such adjustments. The notice shall also specify the effective date of the adjustments, which shall be January 1 of the year following the filing of the notice, or such other date as the Department may authorize. The operation of the RDAM is subject to Chapter 164 of the General Laws.

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