

SOLAR EXPANSION COST RECOVERY MECHANISM

1.0 PURPOSE AND APPLICABILITY

1.1 Purpose

The purpose of the Solar Expansion Cost Recovery Mechanism is to recover from Customers the investment and ongoing maintenance costs of solar generation projects constructed, owned and operated by NSTAR Electric Company d/b/a Eversource Energy (the “Company”) pursuant to Section 1A(f) of Chapter 164 of the General Laws, as amended by An Act Relative to Solar Energy (“Act”).

1.2 Applicability

The Solar Expansion Cost Recovery Factor (“SECRF”) shall be applied to all kilowatt-hours (kWh) delivered by the Company, to all customers taking service under its retail rate tariffs, as determined in accordance with the provisions of Section 3.0 of this tariff. The SECRF shall be determined annually by the Company, as defined below, subject to the Department of Public Utilities’ (the “Department”) review and approval.

1.3 Effective Date

The annual SECRF shall be effective on January 1st of each calendar year. Pursuant to Section 5.2, the annual SECRF may be adjusted to reflect a partial year revenue requirement. Such adjustment, if applicable, shall be effective July 1st of each calendar year.

2.0 DEFINITIONS

- (1) Annual Revenue Requirement shall mean the Return on Rate Base and associated income taxes relating to the Company’s investment in solar, along with accumulated depreciation and accumulated deferred taxes, depreciation expense, incremental operation and maintenance expense, property taxes, and amortization of investment tax credits.
- (2) Rate Base shall include, but is not limited to, gross plant, depreciation reserve, accumulated deferred income taxes, and a working capital allowance as determined in the Company’s most recent distribution rate case. Rate Base will be determined on a monthly basis during the initial year following the in-service date of the solar generation facility and on a quarterly basis during subsequent years.
- (3) Return on Rate Base shall be based on the Rate Base multiplied by the Company’s after tax weighted average cost of capital as approved in the Company’s most recent distribution rate case adjusted to a pre-tax basis by using currently effective federal and state income tax rates applicable to the period of the investment.

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- (4) Incremental Operation and Maintenance Expense is the actual monthly incremental operation and maintenance cost incurred through the prior twelve-month period caused by the solar generation facilities, including but not limited to such expenses as payroll and associated employee costs, contractor costs, material and supplies, and any lease payments approved by the Department. If actual monthly expenses are unavailable at the time that rates are calculated, the Company may use an estimate and reconcile such amount in the next adjustment. Only those costs directly charged to the solar generation facilities and are necessary for the operation and maintenance of the solar generation facilities shall be included. Those direct or allocated costs recovered by any other rate, charge or tariff shall be excluded.
- (5) Base Distribution Revenue Allocators are the allocation factors for each rate class group applied to the Revenue Requirement, as approved by the Department, for purposes of determining the SECRF for each rate class.

Effective January 1, 2023, the revenue requirement calculated herein shall be allocated to each rate class group 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%

3.0 RATE FORMULA

3.1 Derivation of SECRF

$$SECRF_c = \frac{(RR + RA) \times BDRA_r}{FkWh_r}$$

where:

r	Designates a separate factor for each rate class group.
$SECRF_r$	The Solar Expansion Cost Recovery Factor, by rate class.
$BDRA_r$	Base Distribution Revenue Allocator for each rate class group, as specified in Section 2.0 (5).

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FkWh _r	Forecast kWh for each rate class group.
RR	Annual Revenue Requirement as defined in Section 2.0 (1).
RA	Annual Reconciliation Adjustment, which shall include any credits for energy sales and credits for either the sales of RECs into the ISO-NE market or the market value of RECs used to comply with the RPS, credits for capacity sales, if any, plus interest, during the prior year.

3.2 Application of SECRF to Customer Bills

The SECRF (\$ per kWh) shall be truncated at one one-thousandth (\$0.00001) of a cent per kWh and will be applied to the monthly kWh sales. In the Eastern Massachusetts territory, the SECRF will be included with the distribution kWh charge on customer's bills.

4.0 RECONCILIATION ADJUSTMENTS

4.1 The prior year annual revenue requirement shall be reconciled to the actual amount of revenue billed to customers through the SECRF. Such reconciliation shall include any credits for (1) net proceeds associated with energy sales to the Independent System Operator of New England ("ISO-NE"), (2) either (a) net proceeds associated with sales of Renewable Energy Certificates ("RECs") or (b) the market value of RECs which were used to comply with the Renewable Portfolio Standards established in Mass. Gen. Laws c. 25A, § 11F and 220 C.M.R. 14.00 – 16.00 et seq., and (3) net proceeds, if any, associated with bidding the capacity of the solar generating facilities into the ISO-NE Forward Capacity Market, and the excess or deficiency, including interest rate paid on customer deposits, shall be used to adjust the subsequent year's SECRF.

4.2 Pursuant to D.P.U. 22-22, the Company has transferred the investments through 2021 as reviewed and approved in D.P.U. 19-59-A, D.P.U. 18-124-A, and D.P.U. 19-127-A to base distribution rates effective January 1, 2023. The Company will reconcile any prior-period amounts for these investments through December 31, 2022 through the SECRF.

5.0 INFORMATION TO BE FILED WITH THE DEPARTMENT

5.1 Each adjustment of the prices under the Company's applicable tariffs shall be in accordance with a notice filed with the Department setting forth the amount of the increase or decrease and the new SECRF. The notice shall further specify the effective date of such adjustment, which shall not be earlier than sixty days after the filing of the notice, or such other date as the Department may authorize.

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- 5.2 During any period in which the Company completes construction and puts into service solar generation facilities, the Company shall submit two filings each year, on May 1st and November 1st, with the Department which would include new solar generation facilities with in-service dates up through December 31 and June 30, respectively, requesting approval of the partial year revenue requirement over the period beginning with the effective date of such new SECRF.
- 5.3 The Company shall file a schedule of solar generation projects to be recovered through the Solar Expansion Cost Recovery Mechanism. Such schedule may be amended to include new projects to the extent the Department approves additional solar generation facilities pursuant to Section 1A(f) of Chapter 164.