

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
SOLAR COST ADJUSTMENT PROVISION

The prices for Retail Delivery Service contained in all the tariffs of the Company are subject to a Solar Cost Adjustment Factor (“SCAF”) designed to reflect the recovery of the investment and ongoing maintenance costs of Solar Generation Facilities constructed, owned and operated by either Massachusetts Electric Company or Nantucket Electric Company (together “Company”) pursuant to Section 1A(f) of Chapter 164 of the General Laws, as amended by the Green Communities Act (“Act”).

Annually, the Company will file with the Department the annual revenue requirement associated with the Solar Generation Facilities as provided for in the Act not otherwise recovered through base distribution rates. Annual revenue requirement shall mean the return on rate base and associated income taxes relating to the Company’s investment in the Solar Generation Facilities, along with accumulated depreciation and accumulated deferred taxes, depreciation expense, incremental operation and maintenance expense, property taxes, and amortization of investment tax credits.

In addition, the Company shall also include in its annual filing the reconciliation of the annual revenue requirement approved by the Department in the prior year to the actual amount of revenue billed to customers through the SCAF plus 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 at the interest rate paid on customer deposits, shall be used to adjust the subsequent year’s SCAF.

The SCAF per kilowatt-hour applicable to each rate class for any period will be equal to:

I. the sum of the annual revenue requirement for the Solar Generation Facilities approved by the Department for recovery for such period plus (or minus) the 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,

multiplied by

II. the Distribution Revenue Allocator shown below,

divided by

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III. each rate class's estimated total number of kilowatt-hours to be delivered by the Company over the period during which the SCAF will be in effect.

The Distribution Revenue Allocator shall be derived from the Company's most recent base rate case as approved by the Department and shall be as follows by rate class:

Rate R-1/R-2	57.5%
Rate R-4	0.1%
Rate G-1	12.3%
Rate G-2	11.6%
Rate G-3	17.8%
Streetlighting	0.7%

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 March 1 and September 1, 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 for the Solar Generation Facilities as defined above and the proposed adjustment to the effective SCAF. The adjustment to the SCAF shall recover the partial year revenue requirement over the period beginning with the effective date of such new SCAF as defined below. In addition, the SCAF shall also include the final reconciliation balance of the recovery of any solar generation facilities for the period prior to the date on which the solar generation facilities are recovered through base distribution rates.

For purposes of determining the revenue requirement for the Solar Generation Facilities, the following definitions shall apply:

(1) "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 Facilities and on a quarterly basis during subsequent years. Should certain actual monthly or quarterly rate base balances be unavailable at the time the SCAF is calculated, the Company may use an estimate and reconcile such balance through the reconciliation process. Return on rate base for purposes of determining the revenue requirement shall be based on the rate base, as defined above, multiplied by the Company's after tax weighted average cost of capital as determined in the Company's most recent distribution rate case order.

(2) "Incremental operation and maintenance expense" is defined as the actual monthly incremental operation and maintenance cost incurred throughout the prior twelve month period

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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 lease payments approved by the Department (if any). If actual monthly expenses are unavailable at the time the rates are calculated, the Company may use an estimate and reconcile such amount in the next adjustment. Employee costs will exclude pension/OPEB costs recovered through the Company's Pension/PBOP Adjustment Mechanism Provision. Incremental operation and maintenance costs shall include only those costs that are directly charged to the Solar Generation Facilities and are necessary for the operation and maintenance of the Solar Generation Facilities and shall exclude those direct or allocated costs recovered by any other rate, charge or tariff. Incremental operation and maintenance cost shall be an annual amount, except for the first year in which a Department-approved Solar Generation Facility is put into service as described above.

(3) "Solar Generation Facilities" is defined as the Company's investment in the equipment in solar distributed generation systems necessary for the generating alternating current power, including ancillary equipment. Solar Generation Facilities shall also include solar generation with integrated battery storage.

For billing purposes, the SCAF will be included with the distribution kWh charge on customers' bills.

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 SCAF. The notice shall further specify the effective date of such adjustment, which shall not be earlier than thirty days after the filing of the notice, or such other date as the Department may authorize.

This provision is applicable to all Retail Delivery Service tariffs of the Company. The operation of this Solar Cost Adjustment Provision is subject to Chapter 164 of the General Laws.

This Solar Cost Adjustment Provision shall only apply to the Solar Generation Facilities listed in Schedule 1. Schedule 1 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.

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Schedule 1

List of Solar Generation Facilities

- (1) Attleboro (Richardson Drive)
- (2) Charlton (Oxford Road)
- (3) Millbury (Auburn Street)
- (4) Shirley (Groton Road)
- (5) Leicester (Boutilier Road)
- (6) Sturbridge (Kelly Road 1)
- (7) Sturbridge (Kelly Road 2)
- (8) Company or third-party sited Solar Generation Facilities of up to 35 MW procured in accordance with the Company's Solar Phase II Program in D.P.U. 14-01 and D.P.U. 15-134, inclusive of the sites identified in items (1) through (7), and Solar Phase III Program in D.P.U. 16-104.