

WESTERN MASSACHUSETTS ELECTRIC COMPANY

M.D.P.U. No. 1051B
Cancels M.D.P.U. No. 1051A

LONG-TERM RENEWABLE CONTRACT ADJUSTMENT MECHANISM
(LRCA)

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Purpose and Applicability

The purpose of the Long-Term Renewable Contract Adjustment Mechanism ("LRCA") is to provide Western Massachusetts Electric Company ("WMECO" or the "Company") with a mechanism to adjust, on an annual basis, its rates to customers of distribution service to recover costs associated with Long-Term Renewable Contracts that are in place to satisfy the requirements of the Green Communities Act ("The Act"; St. 2008, c. 169, s. 83, s. 83A). The LRCA shall be applicable to all electricity measured in kilowatt-hours ("kWhs") delivered by the Company to its customers.

Definitions

The terms set forth below shall be defined as follows, unless the context requires otherwise.

'Distribution Company' or 'Company' shall mean Western Massachusetts Electric Company.

"Long-Term Renewable Contract" or "LRC" shall mean a Long-Term Contract for the purchase by the Company of energy and/or renewable energy certificates from Renewable Energy Generation Sources, pursuant to Sections 83 and 83A of the Massachusetts Green Communities Act of 2008.

"Long-Term Renewable Contract Adjustment Factor" or "LRCAF" shall mean the annual rate for the recovery and reconciliation of the Company's LRC costs, pursuant to 220 CMR 17.00 and the formula provided herein.

"RECs" shall mean renewable energy certificates.

"Remuneration" is the annual remuneration for the Company equal to 4 per cent or 2.75 per cent of the annual payments under the Long-Term Renewable Contracts. The 4 per cent remuneration applies to contracts subject to Section 83 of the Green Communities Act. The 2.75 per cent remuneration applies to contracts subject to Section 83A of the Green Communities Act.

Effective Date of Annual Adjustment Factor

Subject to review and approval of, and unless otherwise ordered by the Department, changes to the LRCAF shall become effective on January first of each calendar year. The Company shall submit filings for changes to the LRCAF as part of the Company's annual electric reconciliation filing and at least 45 days before the LRCAF rate is to take effect.

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Long-Term Renewable Contract Adjustment Factor Formula

The LRCAF for each year shall be determined in accordance with the following formula.

$$\text{LRCAF}_x = (\text{LRCEXP}_x - \text{LRCREV}_x + \text{PPRA}_{x-1}) / \text{FkWh}_x,$$

where

LRCAF_x = the LRCAF in effect during year x ,

LRCEXP_x = Estimated LRC payments, plus corresponding 4% or 2.75% remuneration (i.e., expenses) in year x ,

LRCREV_x = Estimated LRC proceeds (e.g., revenue from the sale of energy into the wholesale electricity spot market, and the sale of RECs through a competitive bidding process, or an alternate transaction) in year x ,

PPRA_{x-1} = The prior period reconciliation amount, which shall equal (a) total actual LRC payments plus corresponding 4% or 2.75% remuneration, less total actual LRC proceeds for year $x-1$ and prior years, if applicable, plus (b) the product of (i) the net total amount determined in (a), and (ii) the prime rate computed in accordance with 220 CMR 6.08(2), and

FkWh_x = The forecasted amount of electricity, measured in kWh, to be distributed to the Company's distribution customers in year x .

Information Required to be Filed with the Department

Information pertaining to the LRCAF shall be filed with the Department at least forty five (45) days before the date on which a new LRCAF is to be effective. Additionally, the Company will file with the Department a complete list of all LRC accounts claimed as recoverable through the LRCAF over the relevant calendar year. This information will be submitted with each annual LRCAF filing, along with complete documentation of the reconciliation-adjustment calculations.

Customer Notification

The Company will notify customers in simple terms of changes to the LRCAF, including the nature of the change and the manner in which the LRCAF is applied to the bill. In the absence of a

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standard format, the Company will submit this notice for approval at the time of each LRCAF filing. Upon approval by the Department, the Company shall immediately distribute these notices to all of its distribution customers either through direct mail or with its bills, or as otherwise directed by the Department.