

REVENUE DECOUPLING MECHANISM

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**Purpose**

The purpose of this schedule 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.

**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. Definitions**

The terms set forth below shall be defined as follows:

- (a) Actual Revenue ("AR"). 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 RDM 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 4 of this schedule.
- (b) Base Distribution Rates and Base Distribution Revenue. 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 RDM under this schedule.
- (c) Department. The Massachusetts Department of Public Utilities.
- (d) Distribution Company ("Company"). The Western Massachusetts Electric Company.
- (e) RDM Adjustment. 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.
- (f) Revenue Decoupling Mechanism ("RDM"). The overall mechanism to adjust rates on an annual basis to reflect reconciliation of Target Revenue vs. Actual Revenue.
- (g) Target Revenue. The annual Base Distribution Revenue for a given Rate Year upon which distribution rates are designed, and against which Actual Revenue is compared for purposes of determining the RDM Adjustment.

WESTERN MASSACHUSETTS ELECTRIC COMPANY

M.D.P.U. No. 1050E  
Cancels M.D.P.U. No. 1050D

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**2. General Provisions**

The RDM under this schedule provides for the initial determination of Base Distribution Rates, as set in accordance with the Department's Decision in D.P.U. 10-70, dated January 31, 2011 ("Order"), and the adjustment to such rates on an annual basis thereafter in accordance with RDM adjustments to reconcile Target Revenue and Actual Revenue.

**3. 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 as revised in accordance with the Department's Orders in D.P.U. 10-70-A dated August 29, 2012 and D.P.U. 11-105-A dated January 28, 2013, as follows:

Table 1: Rate Class-Specific Revenue Requirements Approved and Utilized to Set Base Distribution Rates

|              |                  |
|--------------|------------------|
| Rate R-1/R-2 | \$56,669,049     |
| Rate R-3/R-4 | 10,689,889       |
| Rate 23      | 13,957           |
| Rate 24      | 366,844          |
| Rate G-0     | 26,334,432       |
| Rate G-2     | 13,034,716       |
| Rate T-0     | 34,798           |
| Rate T-4     | 175,074          |
| Rate T-2     | 15,348,378       |
| Rate T-5     | 5,463,736        |
| Rate S-1     | 4,338,049        |
| Rate S-2     | 201,453          |
| Rate PR      | <u>(254,636)</u> |
|              | \$132,415,739    |

**4. Annual RDM Adjustment**

An annual adjustment to Base Rates 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 Base Distribution Rates effective on February 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 (i.e., through February 1 of the following Rate Year).

Issued per Order in D.P.U. 12-126-I  
Dated December 17, 2013

For Consumption On and  
After February 1, 2014

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

$$\text{RDMAF}_i = (\text{TR}_{i-1} - \text{AR}_{i-1} + \text{PPA}_i) / \text{FkWh}_i$$

Where,

**RDMAF<sub>i</sub>** means the the RDM Adjustment factor applicable during year i,

**TR<sub>i-1</sub>** equals the total Target Revenue provided in section 3 of this schedule,

**AR<sub>i-1</sub>** means the actual revenue reported during year i-1

**PPA<sub>i</sub>** means the reconciliation in the upcoming Rate Year of estimated actual revenue included in prior period calculations of RDMA, and the recovery of any deferred amounts pursuant to Section 6, and

**FkWh<sub>i</sub>** = the forecast of total kWh sales applicable in the upcoming Rate Year, defined as the forecasted amount of electricity to be distributed to the Distribution Company's distribution customers.

The uniform rate calculated herein shall be re-allocated to all rate classes by applying the Distribution Revenue Allocator as approved in D.P.U. 12-126I. The Distribution Revenue Allocator shall be derived from the Company's base test year as approved by the Department and shall be as follows:

|               |       |
|---------------|-------|
| R-1/R-2       | 46.7% |
| R-3/R-4       | 9.0%  |
| 23/24,G-0,T-0 | 18.7% |
| G-2/T-4       | 9.5%  |
| T-2           | 10.7% |
| T-5           | 4.1%  |
| S-1/S-2       | 1.3%  |

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

RDMAF As per M.D.P.U. No. 1052 as in effect from time to time.

## 5. 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 Base Distribution Rates effective February 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.

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**6. RDM Cap**

There will be a 1% annual cap on the RDM Adjustment, which shall be calculated on the basis of total revenues. The amount of any unrecovered revenue from this cap provision shall be deferred for recovery through the RDM mechanism in the next period with carrying charges at the prime rate, as published in the Federal Reserve Statistical Release H15 (519) Selected Interest Rates.

**7. 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 customer counts; (2) monthly kWh sales; (3) weather normalized kWh sales; (4) lost base revenue from energy efficiency programs for the most recent calendar year available; and (5) forecasted sales for the next two years.

**8. Notice Provision**

Adjustments to Base Distribution 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 February 1 of the year following the filing of the notice, or such other date as the Department may authorize. The operation of the RDM is subject to Chapter 164 of the General Laws.