



The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 17-05-C

February 2, 2018

Petition of NSTAR Electric Company and Western Massachusetts Electric Company, each doing business as Eversource Energy, Pursuant to G.L. c. 164, § 94 and 220 CMR 5.00 for Approval of General Increases in Base Distribution Rates for Electric Service and a Performance Based Ratemaking Mechanism.

ORDER ON: (1) ATTORNEY GENERAL'S MOTION FOR RECONSIDERATION AND TO REOPEN THE HEARINGS, OR IN THE ALTERNATIVE, A COMPLAINT PURSUANT TO G.L. c. 164, § 93; AND (2) EVERSOURCE'S COMPLIANCE FILING; AND EVERSOURCE'S MOTION FOR RECALCULATION

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I. INTRODUCTION AND RELEVANT PROCEDURAL HISTORY¹

On January 17, 2017, NSTAR Electric Company (“NSTAR Electric”) and Western Massachusetts Electric Company (“WMECo”), each doing business as Eversource Energy (collectively, “Eversource” or “Companies”) filed a petition with the Department of Public Utilities (“Department”) seeking approval of increases in base distribution rates for electric service pursuant to G.L. c. 164, § 94 (“Section 94”), as well as other proposals. On January 25, 2017, the Attorney General of the Commonwealth of Massachusetts (“Attorney General”) filed a notice of intervention pursuant to G.L. c. 12, § 11E (a).

The other full party intervenors in this case are: (1) Acadia Center; (2) Associated Industries of Massachusetts (“AIM”); (3) the City of Cambridge; (4) the towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet, and Yarmouth, as well as Barnstable County and Dukes County, acting together as the Cape Light Compact (collectively, “Cape Light Compact”); (5) Conservation Law Foundation; (6) Department of Energy Resources; (7) the Federal Executive Agencies (“FEA”); (8) Low-Income Weatherization and Fuel Assistance Program Network and the Massachusetts Energy Directors Association (“Low Income Network”); (9) Northeast Clean Energy Council; (10) Retail Energy Supply Association; (11) The Energy Consortium (“TEC”); (12) University of Massachusetts (“UMass”); and (13) Western Massachusetts

¹ For a complete procedural history of this proceeding, refer to the D.P.U. 17-05 Order at 5-11.

Industrial Group (“WMIG”). The following entities were granted limited intervenor status: (1) the Town of Barnstable; (2) Cape and Vineyard Electric Cooperative; (3) ChargePoint, Inc.; (4) Choice Energy, LLC; (5) Direct Energy Business, LLC, Direct Energy Business Marketing, LLC, Direct Energy Services, LLC, and Direct Energy Solar, LLC; (6) the Energy Consumers Alliance of New England, Inc., d/b/a Massachusetts Energy Consumers Alliance and the Sierra Club; (7) the City of Newton and the Towns of Arlington, Lexington, Natick and Weston; (8) PowerOptions, Inc. (“PowerOptions”); (9) Sunrun, Inc. and the Energy Freedom Coalition of America, LLC; and (10) Vote Solar.

On November 30, 2017, the Department issued a final Order establishing Eversource’s revenue requirement. NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05 (November 30, 2017) (D.P.U. 17-05 Order). In that Order, the Department approved, among other ratemaking proposals, a performance-based ratemaking (“PBR”) mechanism for the Companies. D.P.U. 17-05 Order at 376-414.

On December 20, 2017, Congress passed federal legislation entitled “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,” originally introduced, and enacted with the short title, as the “Tax Cuts and Jobs Act of 2017” (hereinafter “Act”). Pub. L. No. 115-97. Among other things, the effect of this legislation is to reduce the federal corporate tax rate from 35 percent to 21 percent. Pub. L. No. 115-97, § 13001. The legislation was signed into law by President Trump on December 22, 2017, and became effective January 1, 2018.

On January 5, 2018, the Department issued a final Order establishing Eversource's rate structure. NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05-B (January 5, 2018) (D.P.U. 17-05-B Order). Eversource's new rates are scheduled to take effect February 1, 2018, pending approval of the Companies' compliance filing. D.P.U. 17-05-B Order at 4-5.

II. ATTORNEY GENERAL'S MOTION FOR RECONSIDERATION AND TO REOPEN THE HEARINGS OR, IN THE ALTERNATIVE, A COMPLAINT PURSUANT TO G.L. C. 164, § 93

A. Introduction

On December 20, 2017, in response to the Act, the Attorney General filed a motion for reconsideration and to reopen the hearings or, in the alternative, a complaint pursuant to G.L. c. 164, § 93 ("Attorney General Motion"). The Attorney General seeks a reduction in the Companies' revenue requirements approved in the D.P.U. 17-05 Order to account for the reduction in the federal corporate income tax rate on January 1, 2018, from 35 percent to 21 percent (Attorney General Motion at 1-2).

On January 3, 2018, the Companies filed a response to the Attorney General Motion ("Companies Response"). The Companies propose to: (1) reflect the change in their normalized level of federal corporate income taxes by reducing NSTAR Electric's approved revenue requirement by \$47,645,163 and reducing WMECo's approved revenue requirement by \$8,267,637; (2) credit to customers any excess federal accumulated deferred income taxes ("ADIT") associated with the change in the federal corporate income tax rate; and (3) credit to customers an amount representing the revenue requirements impact associated with the reduction of the federal corporate income tax rate for January 2018 (i.e., the period after the

reduction in the federal corporate income tax rate tax on January 1, 2018, and prior to the setting of new rates on February 1, 2018) (Companies Response at 5-7; Exhs. ES-DPH-2 (East), Schedule DPH-33, at 1 (change reflecting modified corporate tax rate); ES-DPH-2 (West), Schedule DPH-33, at 1 (change reflecting modified corporate tax rate)). The Companies propose to implement the latter two credits in conjunction with their first annual PBR compliance filing for rates effective January 1, 2019 (Companies Response at 7).

On January 8, 2018, the Attorney General filed Reply Comments to the Companies Response (“Attorney General Reply”). On January 11, 2018, AIM, the Low Income Network, PowerOptions, TEC, UMass and WMIG (together, “Joint Commenters”) filed joint comments (“Joint Comments”). Finally, on January 25, 2018, FEA filed a response to the Attorney General Reply (“FEA Response”).

B. Positions of the Parties

1. Attorney General

The Attorney General argues that the reduction in the federal corporate income tax rate is an extraordinary circumstance that requires a fresh look at the record for the express purpose of substantively modifying the revenue requirements approved in the D.P.U. 17-05 Order and for reducing rates to account for the reduction in the federal corporate income tax rate (Attorney General Motion at 4). The Attorney General states that she does not object to: (1) the Companies’ proposed revenue requirements reduction associated with the normalized level of federal income taxes in setting rates effective February 1, 2018; or (2) the

Companies' proposed customer credit for January 2018 (Attorney General Reply at 2).²

However, the Attorney General takes issue with the Companies' position with respect to the amount of excess ADIT that should flow back to customers and the commencement date of the flow back (Attorney General Reply at 2).

The Attorney General asserts that it is appropriate for the Companies to return approximately \$21 million in excess ADIT to ratepayers over the remaining lives of the property that gave rise to the reserve (Attorney General Motion at 7-8; Affidavit of David J. Effron, ¶¶ 11-21; Schedules 1, 2).³ The Attorney General further maintains that the Companies should start to flow back these funds to ratepayers on February 1, 2018, and not

² Initially, the Attorney General requested that the Department reduce the revenue requirements approved in the D.P.U. 17-05 Order by \$62,252,000 for NSTAR Electric, which she maintained was comprised of: (1) \$44,702,000 to reflect the change in the normalized level of federal corporate income taxes; and (2) \$17,550,000 to flow back excess ADIT accrued through the end of the test year (Attorney General Motion at 6, 8, 10; Affidavit of David J. Effron, ¶¶ 9-17; Schedules 1, 2). Similarly, the Attorney General requested that the Department reduce the revenue requirements approved in the D.P.U. 17-05 Order by \$11,834,000 for WMECo, which she maintained was comprised of: (1) \$8,336,000 to reflect the change in the normalized level of federal corporate income taxes; and (2) \$3,498,000 to flow back excess ADIT accrued through the end of the test year (Attorney General Motion at 6, 8, 10; Affidavit of David J. Effron, ¶¶ 10-21; Schedules 1, 2). The Attorney General subsequently accepted the Companies' calculations with respect to the change in the normalized level of federal corporate income taxes (Attorney General Reply at 2).

³ As described in n.2 above, the Attorney General estimates excess ADIT as \$17,500,000 for NSTAR Electric and \$3,498,000 for WMECo (Attorney General Motion at 6, 8, 10; Affidavit of David J. Effron; Schedules 1, 2). The Attorney General derived these amounts by using NSTAR Electric's and WMECo's respective gross revenue conversion factors to account for the income taxes and the uncollectible costs associated with the flow back amounts (Affidavit of David J. Effron, ¶¶ 17, 21; Schedules 1, 2).

on January 1, 2019, as the Companies propose (Attorney General Reply at 2-3). The Attorney General contends that the Companies expect to complete their assessment of the impact of the Act by May 1, 2018, but have provided no reason to wait another eight months before beginning to flow back excess ADIT to ratepayers (Attorney General Reply at 3). The Attorney General asserts that the proposed delay will provide the Companies with use of approximately \$21 million in ratepayer funds interest free for a year, at a value of approximately \$2 million (Attorney General Reply at 3-4).⁴

According to the Attorney General, because the amount of excess ADIT ultimately returned to ratepayers will be more than zero, the Companies should be required to flow back some portion of the excess ADIT immediately while they evaluate the impact of the Act (Attorney General Reply at 4). In this regard, the Attorney General recommends that the Companies be required to flow back 90 percent of her estimate of excess ADIT through rates effective February 1, 2018 (Attorney General Reply at 4). The Attorney General asserts that the Department subsequently can reconcile any over- or under-recoveries associated with the return of excess ADIT in the Companies' first annual PBR compliance filing (Attorney General Reply at 4).⁵

⁴ The Attorney General calculates this amount by applying a 9.3 percent pre-tax carrying cost rate to her estimate of \$21 million in excess ADIT (Attorney General Reply at 4 n.3).

⁵ With respect the subsequent reconciliation of excess ADIT, the Attorney General notes that the Companies will have approximately \$4 million in funds available that they will be "holding all year, interest free," associated with impact of the federal corporate income tax rate reduction for January 2018 (Attorney General Reply at 4).

2. Joint Commenters

The Joint Commenters argue that the Department should reduce the Companies' revenue requirements and flow back excess ADIT to avoid unduly and unjustly burdening Eversource's customers (Joint Comments at 2). In this regard, the Joint Commenters support the Attorney General's proposal to: (1) approve Eversource's proposed revenue requirement reduction for rates effective February 1, 2018; (2) reject Eversource's proposal to delay until January 2019 the return of excess ADIT to customers; and (3) require Eversource, beginning on February 1, 2018, to flow back 90 percent of the Attorney General's estimate of excess ADIT (Joint Comments at 4-7).

3. FEA

FEA does not object to: (1) the Companies' proposed revenue requirements reduction associated with the revised normalized level of federal income taxes in setting the rates effective February 1, 2018; or (2) the Companies' proposed customer credit for the impact of the lower federal income tax rate in January 2018 (FEA Response at 3). With respect to excess ADIT, FEA acknowledges that Eversource will need time to determine the appropriate amounts to flow back to customers (FEA Response at 3). However, FEA asserts that the Department should approve the Attorney General's ADIT proposal because it appropriately ensures that customers are receiving the benefit of the Act "without providing an interest-free loan to Eversource" (FEA Response at 3).

4. Companies

As noted above, Eversource proposes to reflect the change in the normalized level of federal corporate income taxes for rates effective February 1, 2018 by reducing NSTAR

Electric's approved revenue requirement by \$47,645,163 and reducing WMECo's approved revenue requirement by \$8,267,637 (Companies Response at 5-6; Exhs. ES-DPH-2 (East), Schedule DPH-33 (change reflecting modified corporate tax rate; ES-DPH-2 (West), Schedule DPH-33 (change reflecting modified corporate tax rate))). Further, the Companies propose that, as part of their first annual PBR compliance filing for rates effective January 1, 2019, they will include a credit to customers to account for the effect of the lower corporate income tax rate in January 2018 (Companies Response at 7).

With respect to excess ADIT related to the Act, the Companies propose to return these amounts to ratepayers and agree with the Attorney General that these funds should be returned over the remaining lives of the underlying assets (i.e., over a period of 25 years or more, as indicated by the average service lives of the underlying assets) (Companies Response at 5). The Companies argue, however, that the amount of excess ADIT cannot now be readily ascertained (Companies Response at 5). Rather, the Companies contend that this calculation is complex and requires further inquiry to understand all impacts of the Act (Companies Response at 5). Specifically, the Companies assert that they require several months to review the Act and calculate the appropriate amount of excess ADIT (Companies Response at 5).

The Companies maintain that their tax inquiry should be concluded by May 1, 2018 (Companies Response at 5). Nonetheless, Eversource proposes to wait until its first annual PBR compliance filing to incorporate the return of excess ADIT through a long-term credit to customers starting with rates effective January 1, 2019 (Companies Response at 7). The

Companies propose that their first annual PBR compliance filing also will contain any other changes, modifications, or refinements they subsequently identify related to the impact of the Act on the Companies' tax liability (Companies Response at 7).

C. Analysis and Findings

In determining a company's total revenue requirement, the Department permits a company to include as an expense in its cost of service a normalized level of federal income taxes. This tax expense is based largely on applying the corporate tax rate to the allowed return on rate base. Fitchburg Gas and Electric Light Company, D.P.U. 1270/1414, at 45-46 (1983).

The revenue requirement approved for Eversource on November 30, 2017, includes amounts for federal income taxes calculated at a rate of 35 percent. D.P.U. 17-05 Order at 773 (NSTAR Electric Schedule 8 – Income Taxes), 782 (WMECo Schedule 8 – Income Taxes). As noted above, the Act took effect on January 1, 2018, one month before the effective date of Eversource's new rates on February 1, 2018. The Act substantially changes the level of federal corporate income taxes that the Companies will be required to pay in 2018 and going forward. Accordingly, consistent with the Department's statutory mandate to require just and reasonable rates, we find that it is necessary to adjust the revenue requirements approved in the D.P.U. 17-05 Order to account for the effects of the Act. Investigation Into Effect of the Reduction in Federal Income Tax Rates on Utility Rates as a Result of the Tax Reform Act of 1986, D.P.U. 87-21-A at 22 (1987).

To determine the appropriate adjustment to the Companies' revenue requirement, the Department finds that there is good cause to reopen the record⁶ for the limited purpose of incorporating the following documents that accompanied the Attorney General Motion and Companies Response: (1) Affidavit of Douglas P. Horton, dated January 3, 2018; (2) Exhibit ES-DPH-2 (East), Schedule DPH-33 (change reflecting modified corporate tax rate); (3) Exhibit ES-DPH-2 (West), Schedule DPH-33 (change reflecting modified corporate tax rate); (4) Affidavit of David J. Effron, dated December 20, 2017; (5) Schedule 1 to Effron Affidavit; and (6) Schedule 2 to Effron Affidavit. The Department finds that this additional record evidence is adequate to address the issues raised in the Attorney General Motion without the need for further hearings.⁷

First, we address the change in Eversource's normalized level of federal corporate income taxes as a result of the Act. In this regard, the Companies propose to reduce the

⁶ The Attorney General moved for reconsideration and for the Department to reopen the hearings to take a fresh look at the record for the express purpose of substantively modifying the revenue requirements approved in the D.P.U. 17-05 Order (Attorney General Motion at 4). Given the fact that the Attorney General subsequently accepted the Companies' calculations related to the change in the normalized level of federal corporate income taxes and because the Department will investigate the return of excess ADIT in a separate proceeding (as discussed below), the Department finds that it is not necessary to reopen hearings.

⁷ The Department's regulations on the filing of documents subsequent to a hearing and reopening require the applicant to make a showing of "good cause." 220 CMR 1.11(7), (8). In determining whether there is "good cause" to reopen the record, the Department considers whether "the proponent has previously unknown or undisclosed information, regarding a material issue, that would likely have a significant impact on the decision already rendered." Machise vs. New England Tel. & Tel. Co., D.P.U. 87-AD-12-B at 4-7 (1990), citing Tennessee Gas Pipeline Co., D.P.U. 85-207-A (1986); Boston Gas Company, D.P.U. 88-67 (Phase II) at 7 (1989).

revenue requirements approved in the D.P.U. 17-05 Order by \$47,645,163 for NSTAR Electric and \$8,267,637 for WMECo (Affidavit of Douglas P. Horton, ¶ 10; Exhs. ES-DPH-2 (East), Schedule DPH-33 (change reflecting modified corporate tax rate); ES-DPH-2 (West), Schedule DPH-33 (change reflecting modified corporate tax rate)). The Attorney General, Joint Commenters, and FEA accept the Companies' calculations (Attorney General Reply at 2; Joint Comments at 7; FEA Response at 3).

The Department has reviewed the Companies' calculations and supporting documentation with respect to the revised normalized level of federal corporate income taxes and finds that the Companies' proposed adjustments to the revenue requirements approved in the D.P.U. 17-05 Order are appropriate (Affidavit of Douglas P. Horton, ¶¶ 10-12; Exhs. ES-DPH-2 (East), Schedule DPH-33 (change reflecting modified corporate tax rate); ES-DPH-2 (West), Schedule DPH-33 (change reflecting modified corporate tax rate)). Accordingly, the Department approves a reduction in the revenue requirements allowed in the D.P.U. 17-05 Order of \$47,645,163 for NSTAR Electric and \$8,267,637 for WMECo.

Second, with respect to excess ADIT related to the Act, the Companies do not dispute that these funds should be returned to ratepayers (Companies Response at 7). The Companies argue, however, that due to the time necessary to review the Act and perfect the excess ADIT calculation, it is appropriate to delay the flow back to ratepayers of these funds until January 1, 2019 (Companies Response at 7; Affidavit of Douglas P. Horton, ¶¶ 13-17). In order to ensure that ratepayers receive the full benefit of the Act and the Companies are not permitted to hold ratepayer funds interest free, the Attorney General, Joint Commenters,

and FEA maintain that the Companies should instead flow back 90 percent of the estimated excess ADIT through rates effective February 1, 2018, subject to reconciliation (Attorney General Reply at 4; Joint Comments at 7; FEA Response at 3).

Deferred income taxes are accrued when a company has a current deduction or credit for tax purposes, but not for book purposes. The Berkshire Gas Company, D.P.U. 90-121, at 136 (1990). The ADIT balance is a source of interest-free funds provided by ratepayers that companies can use without incurring borrowing costs or invest and accrue interest until the balance is needed to fund the taxes due and payable in later years. For ratemaking purposes, ADIT represents an offset to a company's rate base. Essex County Gas Company, D.P.U. 87-59, at 63 (1987); AT&T Communications of New England, Inc., D.P.U. 85-137, at 31 (1985); D.P.U. 1350, at 42-43; Boston Edison Company, D.P.U. 18200, at 33-34 (1975).

As noted above, the Act reduced the federal corporate income tax rate from 35 percent to 21 percent, effective January 1 2018. By reversing their reserves for ADIT at the lower rate, whereas they accrued the reserves at the higher rate, the Companies are left with excess ADIT. Therefore, the Department finds that the Companies should return to ratepayers the excess amounts of ADIT as soon as practicable. See, e.g., The Berkshire Gas Company, D.T.E. 01-56, at 81-83 (2002); D.P.U. 90-121, at 136-140.

However, the Act itself is lengthy and complex.⁸ For this reason, Eversource maintains that it requires a reasonable opportunity to review the Act in order to assess its impact on the Companies' ADIT balances and to perform an accurate calculation of the amount of any excess to return to ratepayers.⁹ The Department must strike an appropriate balance between allowing a reasonable amount of time for the Companies to review the Act and expeditiously returning excess ADIT to ratepayers.

In this regard, we decline to adopt the Attorney General's proposal to require the Companies to immediately return 90 percent of estimated excess ADIT to ratepayers, subject to reconciliation. Without further investigation, the Department cannot ensure that the proposal is reasonable or otherwise consistent with Internal Revenue Service normalization rules concerning plant-related excess ADIT or the Act.¹⁰ Instead, Department will consider

⁸ The Act makes significant revisions to the Internal Revenue Code affecting individual, estate, and corporate taxes. Together with the Joint Explanatory Statement of the Committee of Conference, the Act is 1,097 pages.

⁹ In particular, the Companies assert that their ADIT balance includes deferred state income taxes and, therefore, is not based solely on a straight-line remaining life calculation (Affidavit of Douglas P. Horton, ¶ 14). The Companies maintain that the excess ADIT returned to ratepayers will be based on the property's remaining life, but note that the amount of reverses as book depreciation for a specific asset may exceed tax depreciation on that asset (Affidavit of Douglas P. Horton, ¶¶ 14, 16). For this reason, the Companies submit that their tax experts need to look at each timing difference individually to see how it is affected (or not affected) by the change in the federal corporate income tax rate (Affidavit of Douglas P. Horton, ¶ 14).

¹⁰ Under Internal Revenue Service normalization rules, reserves for excess ADIT on plant are reduced over the life of the associated property. Pub. L. No. 115-97 § 1561(d) (1),(2). A violation of these normalization rules could have adverse tax consequences for the public utility, including potential tax penalties under the Act. See Pub. L. No. 115-97 §1561(d) (3),(4).

the appropriate treatment of excess ADIT as part of our investigation in Investigation by the Department of Public Utilities on its own Motion into the Effect of the Reduction in Federal Income Tax Rates on the Rates Charged by Electric, Gas, and Water Companies,

D.P.U. 18-15 (2018). The Companies have indicated that they require until May 1, 2018, to undertake a comprehensive review of the implications of the Act (Companies Response at 5). Therefore, as part of the investigation in D.P.U. 18-15, the Companies will be required to submit a detailed calculation by May 1, 2018, of the amount of excess ADIT along with a proposal to return these funds to ratepayers as soon as practicable.¹¹ The Department fully expects that under the Companies' proposal, ratepayers will be made whole for any delay in the flow back of ADIT.

Finally, as part of our investigation in D.P.U. 18-15, the Department will consider the Companies' proposal to credit to customers an amount representing the revenue requirements impact associated with the reduction of the federal corporate income tax rate for the month of January 2018.

III. COMPANIES' COMPLIANCE FILING

A. Introduction

On January 8, 2018, the Department directed the Companies to incorporate in their compliance filing to the D.P.U. 17-05 and D.P.U. 17-05-B Orders, for review and consideration of rates for effect February 1, 2018, the design of distribution rates taking into account the aforementioned reduction in federal corporate tax rate. NSTAR Electric

¹¹ To the extent the Companies seek to delay the return of excess ADIT until January 1, 2019, they will be required to demonstrate how ratepayers will not be harmed and how such treatment is consistent with the public interest.

Company and Western Massachusetts Electric Company, D.P.U. 17-05, Hearing Officer Memorandum at 2 (January 8, 2018). Further, the Department directed the Companies to provide two Schedule 10s (Allocation to Rate Classes) in their compliance filing, one using the cost of service approved in D.P.U. 17-05 and the second using the proposed reduction in the Companies' respective costs of service resulting from the change in the federal corporate tax rate. D.P.U. 17-05, Hearing Officer Memorandum at 2 (January 8, 2018).

On January 16, 2018, the Companies submitted a compliance filing to the D.P.U. 17-05 and D.P.U. 17-05-B Orders ("Compliance Filing"). On January 23, 2018, the Department and parties convened a conference call to discuss various issues with the Compliance Filing. On January 24, 2018, the Companies submitted a revised compliance filing ("Revised Compliance Filing"). On January 25, 2018, the Attorney General filed a response to the Companies' Revised Compliance Filing ("Attorney General Response"). Also on January 25, 2018, Cape Light Compact filed a Motion for Modification of Eversource's Compliance Filing ("Cape Light Compact Motion"). On January 26, 2018, the Companies filed a reply to the Attorney General Response ("Companies Reply"). Also on January 26, 2018, the Companies filed a response to the Cape Light Compact Motion ("Companies Response").

B. Positions of the Parties

1. Attorney General

The Attorney General argues that the Companies made an error in the calculation of charges for the R-1/R-2 rate classes (Attorney General Response at 1). In particular, the Attorney General contends that the Revised Compliance Filing shows a total of 13,294,522

bills associated with R-1/R-2 customers, but the Companies' customer charge calculation is based on only 13,219,782 bills for these rate classes (Attorney General Response at 1, citing Revised Compliance Filing, Attachment 5, Spreadsheet, Consolidated Tab, cell N34; Compliance Filing, Tab G, Exh. ES-RDP-3, Sch. RDP-5 (East) at 1). The Attorney General notes that the difference of 74,740 bills is equal to the number of bills attributable to Commonwealth Electric Company's legacy R-5 rate class (Attorney General Response at 1, citing Compliance Filing, Tab G, Exh. ES-RDP-3, Sch. RDP-2a (East) at 1).

The Attorney General argues that the bills attributable to Commonwealth Electric Company's legacy R-5 rate class should be included in the Companies' customer charge calculation (Attorney General Response at 2). According to the Attorney General, including these bills would increase the R-1/R-2 customer charge revenues and decrease the R-1/R-2 energy charge to \$0.04365 per kilowatt hour ("kWh"), as opposed to \$0.04373 per kWh, as calculated by the Companies (Attorney General Response at 2).

2. Cape Light Compact

Cape Light Compact notes that in its initial filing Eversource included a proposal to cap base distribution rate increases to each rate class at no greater than 200 percent of the average increase for each territory in the aggregate (Cape Light Compact Motion at 2, citing Exh. ES-RDP-1 at 41). Cape Light Compact states that now Eversource contemplates an overall decrease of 1.8 percent in base distribution rates due to the impact of the aforementioned Act (Cape Light Compact Motion at 3). However, Cape Light Compact argues that Eversource failed to apply a 200-percent cap to the change in base distribution

rates, but instead chose to limit the percentage increase for any rate class to zero percent (Cape Light Compact Motion at 3-4). More specifically, Cape Light Compact contends that Eversource's allocation method provides for rate decreases for the Boston Edison Company G1/T1 and G2/T2 rate classes of 8.4 percent and 5.4 percent, respectively, and a zero percent increases for all other rate classes (Cape Light Compact Motion at 4). According to Cape Light Compact, Eversource's allocation method "does not strictly comply" with the D.P.U. 17-05-B Order (Cape Light Compact Motion at 3).

Cape Light Compact argues that under the current circumstances whereby the Companies' respective revenue requirements have decreased overall, the Department's continuity goal is best met by limiting the percentage rate decrease for any rate class to two times the percentage decrease for all of Eversource (Cape Light Compact Motion at 4). Cape Light Compact contends that under this approach, the Boston Edison Company G1/T1 and G2/T2 rate classes would be limited to a 3.6 percent decrease (i.e., two times the overall decrease of 1.8 percent) and all other rate classes would see a 1.0 percent decrease (Cape Light Compact Motion at 4 & Appendix A). Cape Light Compact asserts that although a decrease in rates is uncommon, the 200-percent rate cap requirement should apply to a decrease to avoid "unequitable results and turbulence in rate changes" (Cape Light Compact Motion at 4). In this regard, Cape Light Compact asserts that the Department's principle of gradualism in the allocation of costs to rate classes applies both when allocating an overall increase or decrease in base distribution rates (Cape Light Compact Motion at 4-5, citing Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 15-155,

at 385 (2016); Fitchburg Gas and Electric Light Company, D.P.U. 15-80/D.P.U. 15-81, at 297 (2016); Bay State Gas Company, D.P.U. 13-75, at 332 (2014); Bay State Gas Company, D.P.U. 12-25, at 446 (2012); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 09-39, at 403 (2009)).

Cape Light Compact also maintains that the purpose of the 200-percent cap is to meet the rate structure goals of fairness and continuity by ensuring that: (1) the final rates to each rate class represent or approach the cost to serve that class; (2) the limited level of cost subsidization created by the cap will not unduly distort rate efficiencies; and (3) the magnitude of change to any one class is contained within reasonable bounds (Cape Light Compact Motion at 5, citing D.P.U. 13-75, at 362). Thus, according to Cape Light Compact, the application of a 200-percent cap on the base distribution rate decreases strikes an appropriate balance between bringing Boston Edison Company's G1/T1 and G2/T2 rates to their cost of service and furthering the goals of continuity and fairness to all customers by keeping the magnitude of change in either direction within "reasonable bounds" (Cape Light Compact Motion at 5).¹² For all of these reasons, Cape Light Compact asserts that the Department should grant the motion to modify the Companies' compliance filing (Cape Light Compact at 6).

¹² Cape Light Compact argues that under its proposal Boston Edison Company's G-1/T1 and G-2/T-2 rate classes would receive the largest decrease in rates, bringing them a step closer to their cost of service according to the results of the allocated cost of service study, while still promoting stable rate structures and avoiding the appearance of preferential treatment when allocating rate decreases as a result of the Act (Cape Light Compact Motion at 5).

3. Companies

a. Response to Attorney General

The Companies argue that the 74,740 customer bills for Commonwealth Electric Company's R-5 rate class should not be included in the calculation and billing of a customer charge (Companies Reply at 1). The Companies contend that: (1) there is no customer charge for legacy Rate R-5; and (2) service for legacy Rate R-5 customers is for controlled water heating, which is billed along with service to Rate R-1 customers, so that Rate R-1 customers who have water heating service are charged a customer charge and an additional kWh charge under legacy Rate R-5 (Companies Reply at 1).

b. Response to Cape Light Compact

Eversource states that as a result of the reduction in federal corporate income taxes, the average increase to all customers is now negative 1.8 percent (Companies Response at 2, citing Compliance Filing, Exh. ES-RDP-3, Sch. RDP4, Tab F (January 16, 2018)). The Companies capped at zero percent the distribution increase to any rate class, which resulted in all rate decreases flowing to Boston Edison Company's G-1/T-1 and G-2/T-2 rate classes (Companies Response at 2). Specifically, the Companies note that for Rate G-1/T-1, the decrease is 8.4 percent and for Rate G-2/T-2, the decrease is 5.4 percent (Companies Response at 2).

Eversource argues that the aforementioned method of allocating costs to each rate class is appropriate (Companies Response at 2). In this regard, Eversource points out that in its rate design Order, the Department directed the Companies to limit the distribution rate increase for certain rate classes to 200 percent of the overall distribution rate increase

(Companies Response at 1-2, citing D.P.U. 17-05-B Order at 99 (emphasis added)). The Companies claim that since the overall distribution rate increase is zero percent, taking into account the reduction in federal corporate income taxes, the appropriate cap on the distribution revenue increase is zero percent (Companies Response at 2). Further, Eversource argues that its allocation method is consistent with G.L. c. 164, § 94I (“Section 94I”), which requires the Department, in each base distribution rate proceeding, to design rates based on equalized rates of return by customer class as long as the resulting impact for any one customer class is not more than ten percent (Companies Response at 2). In addition, Eversource contends that its allocation method is consistent with the Department’s longstanding policy that a company’s distribution costs should be allocated, to the extent possible, based on equalized rates of return (Companies Response at 2-3). In this regard, the Companies assert that even at proposed reduced rates, Boston Edison Company’s G-1/T-1 and G-2/T-2 rate classes still have the highest return among all rate classes across Eversource’s Massachusetts service area, and there will be below average returns for other rate classes due to bill continuity concerns (Companies Response at 3).

Finally, the Companies reject Cape Light Compact’s argument that its proposal would allow other rate classes to share in the rate decrease and would “avoid unequitable results and turbulence in rate changes” (Companies Response at 3, citing Cape Light Compact Motion at 4). The Companies argue that Cape Light Compact’s proposal would not achieve the desired effect without a simultaneous cap on rate increases at zero percent (Companies Response at 3). The Companies contend that Cape Light Compact thus seeks an

“unprecedented” application of caps in two directions (Companies Response at 3). Further, Eversource argues that Cape Light Compact’s concerns are unfounded given that the results of the Companies’ cost allocation show a maximum zero percent increase to target distribution revenue for all rate classes (Companies Response at 3). According to the Companies, there can be no greater continuity than to maintain existing revenue targets (Companies Response at 3). Further, the Companies maintain that implementing Cape Light Compact’s proposed change to provide a rate decrease to all customers would only serve to impede movement toward equalized rates of return and produce an unfair outcome for those customer classes that are justified in having a fully allocated decrease (Companies Response at 3). Thus, for all of the above reasons, the Companies assert that the Cape Light Compact Motion should be denied (Companies Motion at 3).

4. Analysis and Findings

a. Rates R-1/R-2 Customer Charges and Billing Calculations

During the proceedings in this matter, Eversource stated that Commonwealth Electric Company’s legacy R-5 rate class for controlled water heating does not apply a customer charge, which allows for billing on a single statement without duplication of customer charges (Exh. DPU-38-2). Customers taking service under Commonwealth Electric Company’s legacy R-5 rate class also take service under Rates R-1/R-2, which includes a customer charge. The Companies agreed to maintain this method for Commonwealth Electric Company’s legacy R-5 accounts that are consolidated into the new Rates R-1/R-2 by establishing a rate code in their billing system that will have no customer charge (Exh. DPU-38-2). Following this process will prevent the duplication of customer charges

(Exh. DPU-38-2). Based on this evidence and the Companies' representations in its reply to the Attorney General Response, the Department is persuaded that customer bills associated with Commonwealth Electric Company's legacy R-5 rate class are properly excluded from the customer charge calculation.

b. Cape Light Compact Motion

Eversource's compliance filing provides for a 1.81 percent decrease in its combined base distribution revenue requirement, after accounting for the effects of the D.P.U. 17-05 Order, the D.P.U. 17-05-B Order, and the impact of the Act (Compliance Filing at Tab F, Exh. ES-RDP-3, Sch. RDP-4, at 1 (East)). The Companies allocated the reduction such that no rate class received an increase, which resulted in the Boston Edison Company G-1/T-1 and G-2/T-2 rate classes receiving an 8.35 percent and 5.42 percent distribution revenue decrease, respectively, and the remaining rate classes receiving a zero-percent distribution revenue increase (Compliance Filing at Tab F, Exh. ES-RDP-3, Sch. RDP-4, at 1 (East)).

As noted above, Cape Light Compact maintains that the percentage decrease for any rate class should be capped at 200 percent of the average increase for each territory in the aggregate (Cape Light Compact Motion at 4). According to Cape Light Compact, this approach allows for a decrease of 3.6 percent for the Boston Edison Company G-1/T-1 and G-2/T-2 rate classes, and a one-percent decrease for all other rate classes (Cape Light Compact Motion at 4 & Appendix A). Cape Light Compact maintains that its proposal is consistent with the rate design goals of fairness and continuity (Cape Light Compact Motion at 5).

The Department has reviewed Eversource's and Cape Light Compact's proposals for allocating the reduction to the combined revenue requirement to comply with our final Orders and to account for the Act (Compliance Filing at Tab F, Exh. ES-RDP-3, Sch. RDP-4, at 1 (East); Cape Light Compact Motion at Appendix A). As an initial matter, the Department is free to select or reject a particular method of rate design so long as its choice does not have a confiscatory effect or is not otherwise illegal. American Hoechst Corporation v. Department of Public Utilities, 379 Mass. 408, 413 (1980). Further, we note that the D.P.U. 17-05-B Order contemplated a 200 percent cap on a distribution revenue increase, which the Department had granted to the Companies in the D.P.U. 17-05 Order. D.P.U. 17-05-B at 99; D.P.U. 17-05, at 784. The Department had no reason at the time to address the issue of allocating a revenue decrease among the Companies' rate classes.¹³ Therefore, the Department finds that the Companies' proposed revenue allocation method is not inconsistent with the Department's directives in the D.P.U. 17-05-B Order. With our review of Eversource's proposed allocation of a revenue decrease among its rate classes, the Department finds that Eversource's proposal to cap the distribution revenue increase granted in the D.P.U. 17-05 Order on the combined revenue requirement to zero percent for all rate classes, and further allocate a distribution revenue reduction to the Boston Edison Company G-1/T-1 and G-2/T-2 rate classes is not unreasonable or inconsistent with the Department's Orders or rate design goals.

¹³ As noted above, the Department issued D.P.U. 17-05 Order on November 30, 2017. The Act was signed by Congress on December 20, 2017, was signed by President Trump on December 22, 2017, and became effective January 1, 2018.

According to the allocated cost of service study, the Boston Edison Company G-1/T-1 and G-2/T-2 rate classes should receive a distribution revenue reduction of \$9.7 million and \$69.6 million, respectively, at equalized rates of return (Compliance Filing at Tab F, Exh. ES-RDP-3, Sch. RDP-4, at 1). However, in this instance, setting distribution revenue targets at equalized rates of return does not meet the Department's rate continuity goal. For example, if the Department allowed rate class distribution revenue requirements to be set at equalized rates of return after the application of the ten percent cap in accordance with Section 94I, Rate R-3/R-4 would receive a 41 percent increase in distribution revenue, while the Boston Edison Company Rate G-1/T-1 would receive a 28 percent decrease in distribution revenue (see Compliance Filing at Tab F, Exh. ES-RDP-3, Sch. RDP-4, at 1 (January 16, 2018)). For reasons of continuity, the Department allocates revenue increases or decreases so as to reduce the difference in rates of return, but not to equalize the rates of return in a single step. D.P.U. 15-155, at 385, citing D.P.U. 15-80/D.P.U. 15-81, at 297; D.P.U. 13-75, at 332; D.P.U. 12-25, at 446; D.P.U. 09-39, at 403. Therefore, as a result of the overall distribution revenue reduction caused by the Act, Eversource capped the increase to all rate classes at zero percent, which resulted in the Boston Edison Company G-1/T-1 and G-2/T-2 rate classes receiving a distribution revenue reduction of \$2.9 million and \$14.5 million, respectively (Compliance Filing at Tab F, Exh. ES-RDP-3, Sch. RDP-4, at 1 (January 16, 2018)).

The Department finds that the method Eversource used to allocate the combined revenue requirement to each rate class is reasonable and consistent with the intent of the

Department's Orders as it provides a reasonable balance between setting rates at equalized rates of return and not violating our continuity rate design goal. Therefore, the Department finds that the Companies' calculation of the revenue requirement for each rate class complies with the Department's Orders. Conversely, we find that Cape Light Compact's recommendation moves rates further from equalized rates of return, and therefore, is less aligned with our rate design goals when compared to the Companies' submission.

Based on the foregoing, the Department approves the Companies' calculation of the revenue requirement for each rate class.

c. Other Issues

In their Compliance Filing and Revised Compliance Filing, the Companies propose to include tariff M.D.P.U. No. 71, the transitory demand rider tariff for effect February 1, 2018 (Compliance Filing Cover Letter at 2; Revised Compliance Cover Letter at 2). The Companies initially proposed to eliminate WMECo's transitory demand rider, and no party opposed the proposal. D.P.U. 17-05-B at 323-324, citing Exh. ES-RDP-9, at 36. The Department approved the cancellation of this tariff. D.P.U. 17-05-B at 323.

The Companies now state that this rider should remain in effect given that current commercial and industrial ("C&I") rates are being maintained in WMECo's service area, and that the provisions of the rider allow for exemptions from the single-month demand thresholds used in that territory (Compliance Filing Cover Letter at 2; Revised Compliance Cover Letter at 2). No party commented on this aspect of the Companies' compliance filing. Given that the Department declined to approve Eversource's proposal to align and consolidate

C&I rate classes at this time, D.P.U. 17-05-B at 95-96, and that the provisions of the rider may provide a benefit to ratepayers, the Department finds that it is reasonable and appropriate to allow the transitory demand rider to remain in effect.

Finally, the Department acknowledges that on December 20, 2017, the Companies' filed a Motion for Reconsideration challenging certain findings made in the D.P.U. 17-05 Order with respect to depreciation expense. The Department will issue a separate Order addressing the Motion for Reconsideration. In the meantime, the Department accepts the Companies' proposal to delay the filing of a revised marginal cost of service study until resolution of the Motion for Reconsideration (Compliance Filing Cover Letter at 3; Revised Compliance Filing Cover Letter at 3).

d. Conclusion

The Department finds that the Companies have complied with all of the directives set forth in the D.P.U. 17-05 and D.P.U. 17-05-B Orders, and they have properly incorporated any revisions discussed by the parties on January 23, 2018, into the Revised Compliance Filing. Further, the Companies have properly incorporated the change in the normalized level of federal corporate income taxes by reducing NSTAR Electric's approved revenue requirement by \$47,645,163 and reducing WMECo's approved revenue requirement by \$8,267,637. Therefore, the Department approves the Companies' Compliance Filing and subsequent revisions set forth in the Revised Compliance Filing.

Accordingly, the rates and charges, rate design and tariffs set forth in the Companies' Compliance Filing and revised as necessary in the Revised Compliance Filing, shall become

effective February 1, 2018. Thereafter, the Companies may file revised schedules of rates and charges in compliance with the Department's findings and directives in Sections IV and VIII below.

IV. COMPANIES' MOTION FOR RECALCULATION

A. Introduction

In the D.P.U. 17-05 Order, the Department rejected the Companies' proposal to assign regulatory assessments expenses of \$2,409,292 for NSTAR Electric and \$413,176 for WMECo from base distribution rates to basic service. D.P.U. 17-05 Order at 314. As a result, the Department found that all of the Companies' regulatory assessment expense should be retained in base distribution rates. D.P.U. 17-05 Order at 314. The Department adjusted the Companies' schedules accordingly. D.P.U. 17-05 Order at 767, 776.

In the D.P.U. 17-05 Order, the Department also denied the Companies' request to increase NSTAR Electric's cost of service by \$323,914 and to increase WMECo's cost of service by \$24,483, related to the Companies' 401(k) expense. D.P.U. 17-05 Order at 156. Further, the Department denied the Companies' request to increase NSTAR Electric's cost of service by \$1,248,167 and to increase WMECo's cost of service by \$237,936, related to the Companies' Supply Chain Project costs. D.P.U. 17-05 Order at 232-235. The Department did not make any corresponding adjustments to the Companies' inflation allowance to reflect these findings.

On December 20, 2017, the Companies filed a Motion for Recalculation ("Companies Motion") relative to the aforementioned Department decisions. On January 3, 2018, the

Attorney General filed an opposition to the Companies' Motion ("Attorney General Opposition").

B. Positions of the Parties

1. Companies

a. Regulatory Assessment Adjustments

Eversource argues that the Department inadvertently deducted \$2,409,292 from NSTAR Electric's cost of service and \$413,176 from WMECO's cost of service twice, so that when adjustments were made to add the regulatory assessment amounts back into the respective costs of service, NSTAR Electric's and WMECO's respective revenue requirements still were understated by the amounts originally proposed to be assigned to basic service (Companies Motion at 5-9). Therefore, the Companies assert that the Department should increase NSTAR Electric's cost of service by \$2,409,292 and should increase WMECO's cost of service by \$413,176 to correct for the inadvertent mistake (Companies Motion at 7, 9).

b. Inflation Allowance Adjustments

Eversource argues that as a result of the Department's decision to deny the requested increase to 401(k) expenses, the Department should have included in the Companies' inflation adjustments the respective test year 401(k) expenses, but the Department failed to do so (Companies Motion at 10, citing D.P.U. 15-155, at 316; D.P.U. 15-80/15-81, at 191; NSTAR Gas Company, D.P.U. 14-150, at 249 (2015); Blackstone Gas Company, D.T.E. 01-50, at 19 (2001); Boston Gas Company, D.P.U. 88-67 (Phase I) at 138 (1988); Western Massachusetts Electric Company, D.P.U. 86-280-A at 100 (1987); Western

Massachusetts Electric Company, D.P.U. 85-270, at 188 (1986)). According to Eversource, NSTAR Electric's test year amount of 401(k) expense was \$4,268,022 and WMECO's test year amount for this expense was \$334,782 (Companies Motion at 11, citing Exhs. ES-DPH-2, Sch. DPH-11 (East); ES-DPH-2, Sch. DPH-11 (West)). Based on an inflation factor of 4.527 percent, Eversource asserts that the Department should have included an inflation adjustment of \$193,213 ($\$4,268,022 * 0.04527$) for NSTAR Electric and \$15,156 ($\$334,782 * 0.04527$) for WMECo (Companies Motion at 11, citing D.P.U. 17-05, at 330; Exhs. ES-DPH-3 (East) WP DPH-22, at 1, lines 49-62 (Rev. 3); ES-DPH-3 (West) WP DPH-22, at 1, lines 49-62 (Rev. 3)).

Similarly, Eversource argues that as a result of the Department's decision to deny the requested increase in Supply Chain Projects expenses, the Department should have included in the Companies' inflation adjustment the respective test year expense amounts associated with information systems expense unrelated to the Supply Chain Project, but the Department failed to do so (Companies Motion at 12). According to Eversource, NSTAR Electric's test year amount of non-Supply Chain project information systems expense was \$6,100,492 and WMECO's test year amount for this expense was \$1,397,942 (Companies Motion at 12, citing Exhs. ES-DPH-2 (East) Sch. DPH-19 (Rev. 3); ES-DPH-2 (West) Sch. DPH-19 (Rev. 3); DPU-9-1, DPU-9-2; DPU-45-57; Tr. 6, at 1190; Tr. 9, at 1826-1827). Based on an inflation factor of 4.527 percent, Eversource asserts that the Department should have included an inflation adjustment of \$276,169 ($\$6,100,492 * 0.04527$) for NSTAR Electric

and \$63,285 ($\$1,397,942 * 0.04527$) for WMECo (Companies Motion at 12, citing D.P.U. 17-05, at 330).

2. Attorney General

a. Regulatory Assessments Adjustments

The Attorney General argues that to the extent any mistake was made with respect to the regulatory assessments adjustments, it was made by the Companies and not the Department (Attorney General Opposition at 2-3). The Attorney General contends that the Department applied the record evidence, which she asserts was the regulatory assessment amounts provided by the Companies in their initial filing and updated revenue requirement filings (Attorney General Opposition at 3-4). The Attorney General notes that at no time during the hearings did the Companies offer any evidence of what they now contend are the “correct” regulatory assessment amounts (Attorney General Opposition at 3). Although the Attorney General acknowledges that Eversource’s residual operations and maintenance (“O&M”) expense is understated as alleged by the Companies, she argues that Eversource cannot use a motion for recalculation to correct its own computational error that existed from the initial filing through the D.P.U. 17-05 Order (Attorney General Opposition at 4). As such, the Attorney General asserts that the Companies Motion should be denied (Attorney General Opposition at 5).

b. Inflation Allowance Adjustments

The Attorney General argues that the Department should reject Eversource’s attempt to include additional expenses in the Companies’ inflation adjustments because the Companies are making a substantive legal argument that does not involve a computational error and is

not supported by Department precedent (Attorney General Opposition at 5). The Attorney General contends that the Department did not mistakenly omit the 401(k) savings plan costs and information systems expense from the inflation adjustment, but rather elected not to include them in the inflation adjustment (Attorney General Opposition at 6). She notes that the Companies never petitioned for these expenses to be subject to an inflation allowance, and that automatic inclusion of these amounts as residual O&M subject to inflation is not supported by Department precedent (Attorney General Opposition at 6). In this regard, the Attorney General claims that the precedent cited by the Companies provides only that if an expense is disallowed or has been adjusted, it should not be included in a company's residual expenses eligible for an inflation adjustment (Attorney General Opposition at 6). However, according to the Attorney General, there is no requirement to include in the inflation adjustment any portion of an expense that has not been disallowed or adjusted (Attorney General Opposition at 7).

Finally, the Attorney General maintains that Department precedent recognizes that expenses that are not subject to inflationary pressures, such as fixed leases or costs set by a regulatory board, are to be excluded from a company's residual expenses even if they have not been disallowed or adjusted (Attorney General Opposition at 7, citing Plymouth Water Company, D.P.U. 14-120, at 61-62 (2015); Boston Edison Company, D.P.U. 1720, at 20-21 (1984)). Thus, she contends that the Department has discretion to decide whether an expense, adjusted or not, should be included in residual O&M subject to an inflation adjustment (Attorney General Opposition at 7). For all of the above reasons, the Attorney

General asserts that the Department should deny the Companies' request to recalculate the inflation adjustment (Attorney General Opposition at 7).

C. Analysis and Findings

1. Regulatory Assessments Adjustments

The Department's Procedural Rule, 220 CMR 1.11(9), authorizes a party to file a motion for recalculation based on an alleged inadvertent error in a calculation contained in a final Department Order. The Department grants motions for recalculation in instances where an Order contains a computational error or if schedules in the Order are inconsistent with the findings and conclusions contained in the body of the Order. Western Massachusetts Electric Company, D.P.U. 89-255-A at 4 (1990); Essex County Gas Company, D.P.U. 87-59-A at 1-2 (1988).

The record shows that the amounts of regulatory assessments included in the Companies' base distribution cost of service, adjusted to reflect the latest costs associated with each regulatory assessment, and to remove transmission-related expenses and out-of-period adjustments, was as follows: (1) \$7,389,986 for NSTAR Electric; and (2) \$1,267,327 for WMECo (Exh. ES-DPH-2 (East), Sch. DPH-17 (Rev. 3); ES-DPH-2 (West), Sch. DPH-17 (Rev. 3)). As noted above, the Department rejected the Companies' proposal to assign to basic service \$2,822,468 of NSTAR Electric's regulatory assessment expense and \$413,176 of WMECo's regulatory assessment expense. D.P.U. 17-05 Order at 314. As a result, the Department found that all of the Companies' regulatory assessment expense - i.e., \$7,389,986 for NSTAR Electric and \$1,267,327 for WMECo - should be retained in distribution rates. D.P.U. 17-05 Order at 314.

The Department has reviewed the record supporting the Companies' request for recalculation (Exhs. ES-DPH-2 (East), Sch. DPH-6 & Revs. 1-4; ES-DPH-2 (East), Sch. DPH-17 & Revs. 1-4; ES-DPH-2 (West), Sch. DPH-6 & Revs. 1-4; ES-DPH-2 (West), Sch. DPH-17 & Revs. 1-4); see also D.P.U. 17-05 Order at 767, 776 (Schedules 2). We agree that the Companies' respective costs of service are understated and that the schedules in the D.P.U. 17-05 Order are inconsistent with the findings in the Order. Further, we are not persuaded by the Attorney General's suggestion that because the Companies' own inadvertence may be responsible for the understatement, the Department should not correct an obvious error in the Companies' revenue requirements. Therefore, we allow the Companies' Motion with respect to this issue.

Based on this finding, NSTAR Electric's cost of service should be increased by \$2,409,292 and WMECo's cost of service should be increased by \$413,176. Further, residual O&M calculations for purposes of the Companies' inflation adjustments should include these updated test year amounts, which results in increased inflation allowances of \$109,069 for NSTAR Electric and \$18,704 for WMECo. Accordingly, we will increase NSTAR Electric's cost of service by \$2,518,361 ($\$2,409,292 + 109,069$) and increase WMECo's cost of service by \$431,880 ($\$413,176 + \$18,704$). The effect of these adjustments is shown in the Schedules below.

2. Inflation Allowance Adjustments

a. Introduction

Next, we address the Companies' arguments that the inflation allowance should be recalculated to include test year 401(k) expenses and non-Supply Chain Project related

information systems expenses. As an initial matter, we find that the Companies' Motion with respect to these issues is more akin to a motion for reconsideration than recalculation.

Unlike a motion for recalculation that merely seeks change where there is a computational error or if the schedules are inconsistent with the findings and conclusions in the body of an order, the Companies request the Department to change its analysis and reverse its findings and directives regarding the category of expenses subject to an inflation allowance.

Therefore, we will treat this aspect of the Companies' Motion as one for reconsideration.

The Department's Procedural Rule, 220 CMR 1.11(10), authorizes a party to file a motion for reconsideration within 20 days of service of a final Department Order. The Department's policy on reconsideration is well-settled. See, e.g., Boston Edison Company, D.P.U. 90-270-A at 2-3 (1991); Western Massachusetts Electric Company, D.P.U. 558-A at 2 (1981). Reconsideration of previously decided issues is granted when extraordinary circumstances dictate that we take a fresh look at the record for the express purpose of substantively modifying a decision reached after review and deliberation. The Berkshire Gas Company, D.P.U. 905-C at 6-7 (1982) (finding extraordinary circumstances where union contract expiration and subsequent strike prevented company from providing ratified union contract payroll increases until several days after final Order issued); cf. Boston Gas Company, D.P.U. 96-50-C (Phase I) at 25 (1997) (finding creation of nonunion compensation pool after the close of the record was not an extraordinary circumstance). Alternatively, a motion for reconsideration may be based on the argument that the Department's treatment of an issue was the result of mistake or inadvertence.

See, e.g., D.P.U. 96-50-C (Phase I) at 22; New England Telephone and Telegraph Company, D.P.U. 86-33-J at 2, 25-26 (1989); Boston Edison Company, D.P.U. 1350-A at 5 (1983).

Further, a motion for reconsideration should not attempt to reargue issues considered and decided in the main case. See, e.g., Commonwealth Electric Company, D.P.U. 92-3C-1A at 3-6 (1995); Boston Edison Company, D.P.U. 90-270-A at 2-3, 7-9 (1991); D.P.U. 1350-A at 4-5. The Department has denied reconsideration where the request rests upon information that could have been provided during the course of the proceeding and before issuance of the final Order. See, e.g., D.P.U. 96-50-C (Phase I) at 36-37; Boston Gas Company, D.P.U. 96-50-B (Phase I) at 8 (1997). The Department has stated that the record in a proceeding closes, at the latest, when an Order is issued. Western Massachusetts Electric Company, D.P.U. 85-270-C at 18-20 (1987). Thus, the Department may deny reconsideration when the request rests on a new issue or updated information presented for the first time in the motion for reconsideration. See, e.g., D.P.U. 85-270-C at 18-20.

b. 401(k) Expense

The record shows that Eversource proposed to increase NSTAR Electric's 401(k) savings plan costs by \$323,914, at the same rate as a proposed 7.589 percent salary increase for union and non-union employees (Exhs. ES-DPH-1, at 57-59; ES-DPH-2 (East), Sch. DPH-11, at 2 (Rev. 3)). Similarly, Eversource proposed to increase WMECo's 401(k) savings plan costs by \$24,483, at the same rate as a proposed 7.313 percent salary increase

for union and non-union employees (Exhs. ES-DPH-1, at 57-59; ES-DPH-2 (West), Sch. DPH-11, at 2 (Rev. 3)). The Department denied these requests having found that proposed increases were based on the assumption that the increase in savings plan contributions would be consistent with the overall increases in salaries. D.P.U. 17-05 Order at 156. In other words, the proposed increases were based on percentage increases to union and non-union salaries regardless of whether an employee actually participates in or makes contributions to the 401(k) savings plan. D.P.U. 17-05 Order at 156. In addition, we found that the Companies failed to demonstrate that the post-test year participation levels were more representative of future participation than contributions made during the test year.

D.P.U. 17-05 Order at 156.

The inflation allowance recognizes that known inflationary pressures tend to affect a company's expenses in a manner that can be measured reasonably. Fitchburg Gas and Electric Light Company, D.T.E. 02-24/25, at 184 (2002); D.T.E. 01-56, at 71 ; The Berkshire Gas Company, D.T.E. 98-51, at 100-101 (2002); Boston Gas Company, D.P.U. 96-50 (Phase I) at 112-113 (1996); Massachusetts Electric Company, D.P.U. 95-40, at 64 (1995). A company's level of 401(k) expense may fluctuate from year to year depending upon the number of employees actually participating in or making contributions to the 401(k) savings plan. Thus, as noted above, the Department rejected the Companies' proposal to adjust their 401(k) expenses based on the assumption of consistency between percentage increases in salaries and the level of plan contributions and without evidence that the post-test year participation levels were more representative of future participation than

contributions made during the test year. D.P.U. 17-05 Order at 156. Given our findings regarding the speculative nature of the Companies' post-test year 401(k) expenses, we are not persuaded that it is appropriate to apply an annual inflation adjustment to the test year level of these expenses. Further, we note that employee contributions to 401(k) plans are voluntary, and, thus, are subject to fluctuations driven more by the personal financial goals of individual employees than by inflationary pressures. Fitchburg Gas and Electric Light Company, D.P.U. 13-90, at 96 (2014). Therefore, we find no mistake or inadvertence in our decision to exclude the Companies' test year 401(k) expenses from their respective inflation allowances. Accordingly, we deny the Companies' Motion with respect to this expense.

c. Information Systems Expense

The record shows that during the test NSTAR Electric and WMECo booked \$6,100,492 and \$1,397,941, respectively, in information systems expense unrelated to the Supply Chain Project (Exhs. ES-DPH-2 (East), Sch. DPH-19 (Rev. 3); ES-DPH-2 (West), Sch. DPH-19 (Rev. 3); DPU-45-57; Tr. 9, at 1827). Eversource requested a pro forma adjustment to test year information systems expense of \$1,248,167 and \$237,936 for NSTAR Electric and WMECo, respectively, to reflect project costs of \$36,420,160 associated with the Supply Chain Project incurred through April 30, 2017 (Exhs. ES-DPH-2 (East), Sch. DPH-19 (Rev. 3); ES-DPH-2 (West), Sch. DPH-19 (Rev. 3); AG-42-1; AG-43-2; Tr. 6, at 1216; Tr. 9, at 1830). The Department denied these requested adjustments. D.P.U. 17-05 Order at 234-235. The Department made no adjustments to the Companies'

test year information systems expense, yet the amounts unrelated to the Supply Chain Project were inadvertently removed from the Companies' respective inflation allowance.

D.P.U. 17-05 Order at 332, 333. The Department finds that, given the nature of these expenses, they are subject to inflationary pressures. Therefore, the test year level of information systems expense unrelated to the Supply Chain Project should be subject to the approved 4.527 percent inflation factor. Accordingly, we grant the Companies Motion with respect to this issue.

Accordingly, in order to properly account for the test year amount of these expenses, and as shown in the tables below, we find that NSTAR Electric's inflation allowance should include \$276,169 ($\$6,100,492 * 0.04527$) and WMECo's inflation adjustment should include \$63,285 ($\$1,397,942 * 0.04527$). The effect of these adjustments is shown in the Schedules below.

Table 1 – NSTAR Electric:

Test Year O&M Expense Per Books:	\$276,297,834
Less Normalizing Adjustments:	
Postage Expense	\$4,352,322
Uncollectibles Expense	\$15,073,652
Fee Free Payment Processing	-
Dues and Memberships	\$784,558
Employee Benefits Costs	\$19,870,555
Insurance Expense And Injuries and Damages	\$7,289,021
Payroll Expense	\$119,525,370
Variable Compensation	\$18,170,774
Vegetation Expense Annualization	\$5,283,642
Vegetation Management Resiliency Tree Work Pilot	-
Rate Case Expense	-
Regulatory Assessments	\$6,713,485
Lease Expense	\$3,660,277
Amortization of GIS Costs	-
Storm Cost Adjustment	-
Storm Fund Adjustment	\$4,500,000
Total Company O&M Adjustments:	\$205,223,657
Subtotal (Adjusted per Books Less Company Adjustments)	\$71,074,177
Less Excluded Test Year Expenses	
Eversource Service Company Charges	\$3,778
Insurance Policy Distribution	\$158,407
Total Excluded Test Year Expenses	\$162,185
Residual O&M Expense	\$70,911,992
Inflation Factor from Midpoint of Test Year to Midpoint of Rate Year:	4.527%
Inflation Allowance:	\$3,210,185

Table 2 - WMECo:

Test Year O&M Expense Per Books:	\$60,171,820
Less Company Adjusted Items:	
Postage Expense	\$956,609
Uncollectibles Expense	\$5,163,634
Fee Free Payment Processing	-
Dues and Memberships	\$124,820
Employee Benefits Costs	\$3,047,400
Insurance Expense And Injuries and Damages	\$1,630,157
Payroll Expense	\$23,173,030
Variable Compensation	\$3,177,908
Vegetation Management Resiliency Tree Work Pilot	-
Rate Case Expense	-
Regulatory Assessments	\$1,148,553
Lease Expense	\$749,592
Storm Cost Adjustment	-
Storm Fund Adjustment	-
Total Company O&M Adjustments:	\$39,171,701
Subtotal (Adjusted per Books Less Company Adjustments)	\$21,000,119
Less Excluded Test Year Expenses	
Eversource Service Company Charges	\$662
Insurance Policy Distribution	\$22,675
Total Excluded Test Year Expenses	\$23,337
Residual O&M Expense	\$20,976,782
Inflation Factor from Midpoint of Test Year to Midpoint of Rate Year:	4.527%
Inflation Allowance:	\$949,619

V. SCHEDULES- NSTAR ELECTRIC COMPANY¹⁴A. NSTAR Electric Schedule 1 – Revenue Requirements and Calculation of Revenue Increase

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
COST OF SERVICE				
Total O&M Expense	322,597,077	222,884	(26,164,877)	296,655,084
Depreciation & Amortization	176,196,744	(3,043,199)	(6,609,654)	166,543,891
Taxes Other Than Income Taxes	99,430,889	1,185,985	(27,485)	100,589,389
Income Taxes	106,987,033	367,042	(49,564,198)	57,789,877
Return on Rate Base	208,211,099	(5,049,088)	(2,907,279)	200,254,732
Additional Uncollectibles (Revenue Deficiency)	426,407	(29,016)	(628,590)	(231,199)
Total Cost of Service	913,849,249	(6,345,392)	(85,902,083)	821,601,774
OPERATING REVENUES				
Base Distribution Revenues	829,692,282	0	0	829,692,282
Other Operating Revenues	23,962,582	631,625	(47,112)	24,547,095
Total Operating Revenues	853,654,864	631,625	(47,112)	854,239,377
Total Revenue Deficiency	60,194,385	(6,977,017)	(85,854,971)	(32,637,603)

¹⁴ Numbers may not add due to rounding, and any minor discrepancies between the numbers in the Schedules and those in the text are due to rounding.

B. NSTAR Electric Schedule 2 – Operations and Maintenance Expenses

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Test Year O&M Expense	274,358,971	(470,430)	2,409,293	276,297,834
ADJUSTMENTS TO TEST YEAR O&M EXPENSE:				
Postage Expense	(126,159)	0	0	(126,159)
Uncollectible Expense	(3,573,684)	0	0	(3,573,684)
Fee Free Payment Processing	5,093,091	0	(5,093,091)	0
Fee Free Offset	0	0	52,891	52,891
Dues and Memberships	(93,080)	0	0	(93,080)
Employee Benefits Costs	1,548,219	1,104,330	(323,914)	2,328,635
Insurance Expense And Injuries & Damages	(87,075)	0	0	(87,075)
Payroll Expense	10,035,441	(964,281)	0	9,071,160
Variable Compensation	(3,057,252)	(91,433)	(460,042)	(3,608,727)
Vegetation Expense Annualization	5,226,646	0	0	5,226,646
Vegetation Management Resiliency Tree Work Pilot	22,752,025	0	(22,752,025)	0
Rate Case Expense	471,976	153,383	(29,052)	596,307
Regulatory Assessments	(2,188,739)	455,947	2,409,292	676,500
Lease Expense	400,375	219,956	(154,496)	465,835
Information Systems Expense Adjustment	1,362,605	(114,437)	(1,248,168)	0
GIS Verification Adjustment	1,023,615	167,661	(1,191,276)	0
Storm Cost Adjustment	2,880,000	0	0	2,880,000
Storm Fund Adjustment	3,500,000	0	0	3,500,000
Eversource Service Company Charges	0	0	(3,778)	(3,778)
Insurance Policy Distribution	0	0	(158,407)	(158,407)
Residual O&M Inflation Adjustment	3,070,102	(237,812)	377,896	3,210,186
Sum of O&M Expense Adjustments	48,238,106	693,314	(28,574,170)	20,357,250
Total O&M Expense	322,597,077	222,884	(26,164,877)	296,655,084

C. NSTAR Electric Schedule 3 – Depreciation and Amortization Expenses

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Depreciation and Amortization Expense	152,153,130	74,023	(6,600,402)	145,626,751
Amortization of Deferred Assets	24,043,614	(3,117,222)	(9,252)	20,917,140
Total Depreciation and Amortization Expense	176,196,744	(3,043,199)	(6,609,654)	166,543,891

D. NSTAR Electric Schedule 4 – Rate Base and Return on Rate Base

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Utility Plant in Service	5,277,871,546	5,236,686	0	5,283,108,232
LESS:				
Reserve for Depreciation	1,629,791,051	1,250,000	2,351,645	1,633,392,696
Reserve for Amortization	21,408,453	0	0	21,408,453
Net Utility Plant in Service	3,626,672,042	3,986,686	(2,351,645)	3,628,307,083
ADDITIONS TO PLANT:				
Cash Working Capital	37,453,650	128,535	(2,389,605)	35,192,581
ASC 740 (net)	60,537,693	0	0	60,537,693
Materials and Supplies	34,922,056	0	0	34,922,056
Total Additions to Plant	132,913,399	128,535	(2,389,605)	130,652,330
DEDUCTIONS FROM PLANT:				
Reserve for Deferred Income Tax	984,178,132	669,989	0	984,848,121
Customer Deposits	6,369,673	0	0	6,369,673
Customer Advances	34,634,865	0	0	34,634,865
Total Deductions from Plant	1,025,182,670	669,989	0	1,025,852,659
RATE BASE	2,734,402,771	3,445,232	(4,741,250)	2,733,106,754
COST OF CAPITAL	7.61%	-0.19%	-0.09%	7.33%
RETURN ON RATE BASE	208,211,099	(5,049,088)	(2,907,279)	200,254,732

E. NSTAR Electric Schedule 5 – Cost of Capital

PER COMPANY				
	PRINCIPAL	PERCENTAGE	COST	RATE OF RETURN
Long-Term Debt	\$2,100,000,000	45.69%	4.31%	1.97%
Preferred Stock	\$43,000,000	0.94%	4.56%	0.04%
Common Equity	\$2,452,820,959	53.37%	10.50%	5.60%
Total Capital	\$4,595,820,959	100.00%		7.61%
Weighted Cost of Debt				1.97%
Preferred				0.04%
Equity				5.60%
Cost of Capital				7.61%

COMPANY ADJUSTMENTS				
	PRINCIPAL	PERCENTAGE	COST	RATE OF RETURN
Long-Term Debt	\$2,100,000,000	45.69%	3.88%	1.77%
Preferred Stock	\$43,000,000	0.94%	4.56%	0.04%
Common Equity	\$2,452,820,959	53.37%	10.50%	5.60%
Total Capital	\$4,595,820,959	100.00%		7.42%
Weighted Cost of Debt				1.77%
Preferred				0.04%
Equity				5.60%
Cost of Capital				7.42%

PER ORDER				
	PRINCIPAL	PERCENTAGE	COST	RETURN
Long-Term Debt	\$2,100,000,000	45.72%	4.27%	1.95%
Preferred Stock	\$43,000,000	0.94%	4.56%	0.04%
Common Equity	\$2,450,093,895	53.34%	10.00%	5.33%
Total Capital	\$4,593,093,895	100.00%		7.33%
Weighted Cost of Debt				1.95%
Preferred				0.04%
Equity				5.33%
Cost of Capital				7.33%

F. NSTAR Electric Schedule 6 – Cash Working Capital

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Total O&M Expense	322,597,077	222,884	(26,164,877)	296,655,084
Less Uncollectible Accounts	11,499,968	0	0	11,499,968
Taxes Other Than Income	99,430,890	1,185,985	(27,485)	100,589,390
Total Costs Subject to Cash Working Capital	410,527,999	1,408,869	(26,192,362)	385,744,506
Cash Working Capital Factor (33.30/365)	9.12%	9.12%	9.12%	9.12%
Total Cash Working Capital Allowance	37,453,650	128,535	(2,389,605)	35,192,581

G. NSTAR Electric Schedule 7 – Taxes Other Than Income Taxes

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
FICA	6,686,097	(49,763)	(27,485)	6,608,849
Medicare	1,806,639	(13,446)	0	1,793,193
Federal Unemployment	45,739	0	0	45,739
State Unemployment	259,370	0	0	259,370
State Insurance Premium Excise Tax	230,381	0	0	230,381
Tangible Property Tax	1,275,000	0	0	1,275,000
Universal Health Tax	40,372	0	0	40,372
State Sales and Use Tax	3,918	0	0	3,918
Property Tax	89,083,373	1,249,194	0	90,332,567
Taxes Other Than Income	99,430,889	1,185,985	(27,485)	100,589,389

H. NSTAR Electric Schedule 8 – Income Taxes

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Rate Base	2,734,402,771	3,445,232	(4,741,250)	2,733,106,754
Return on Rate Base	208,211,099	(5,049,088)	(2,907,279)	200,254,732
Interest Expense	(53,813,047)	5,243,623	(4,753,489)	(53,322,913)
Amortization of Net Unfunded Deferred Tax Liab.	1,488,887	0	0	1,488,887
Income Tax Impact of Flowthrough Items	1,311,689	0	0	1,311,689
FAS 109 Income Taxes and ITC	0	141,288	0	141,288
Total Deductions	(51,012,471)	5,384,911	(4,753,489)	(50,381,049)
Taxable Income Base	157,198,628	335,823	(7,660,768)	149,873,683
Gross Up Factor	1.6722	1.6722	1.3759	1.3759
Taxable Income	262,873,992	561,577	(57,224,368)	206,211,201
Mass Franchise Tax (8%)	21,029,919	44,926	(4,577,949)	16,496,896
Federal Taxable Income	241,844,072	516,651	(52,646,419)	189,714,305
Federal Income Tax (21%)	84,645,425	180,828	(44,986,249)	39,840,004
Income Tax Impact of Flowthrough Items	1,311,689	0	0	1,311,689
FAS 109 Income Taxes and ITC	0	141,288	0	141,288
Total Income Taxes	106,987,033	367,042	(49,564,198)	57,789,877

I. NSTAR Electric Schedule 9 - Revenues

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
DISTRIBUTION REVENUES PER BOOKS	829,692,282	69,143	0	829,761,425
Other Operating Revenues	29,548,876	0	0	29,548,876
<u>Other Operating Revenues</u>				
Special Contracts	217,639	0	0	217,639
Late Payment Charges	3,437,879	0	0	3,437,879
Rent from Electric Property	8,322,192	689,974	577,328	9,589,494
Other Electric Revenue	11,648,697	208,683	(624,440)	11,232,940
Revenues from Transmission of Electricity of Others	336,175	(336,175)	0	0
Total Other Revenues	23,962,582	562,482	(47,112)	24,477,952
Adjusted Total Operating Revenues	853,654,864	631,625	(47,112)	854,239,377

VI. SCHEDULES: WESTERN MASSACHUSETTS ELECTRIC COMPANY¹⁵

A. WMECO Schedule 1 – Revenue Requirements and Calculation of Revenue Increase

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
COST OF SERVICE				
Total O&M Expense	67,567,718	82,708	(4,469,293)	63,181,133
Depreciation & Amortization	32,781,024	(1,164,091)	(3,249,638)	28,367,295
Taxes Other Than Income Taxes	18,259,052	948,871	(35,148)	19,172,775
Income Taxes	19,459,290	(46,295)	(8,725,828)	10,687,167
Return on Rate Base	33,576,776	(597,919)	(1,312,364)	31,666,493
Additional Uncollectibles (Revenue Deficiency)	443,454	(12,264)	(219,507)	211,683
Total Cost of Service	172,087,313	(788,990)	(18,011,778)	153,286,546
OPERATING REVENUES				
Base Distribution Revenues	132,415,741	0	0	132,415,741
Other Operating Revenues	4,008,528	197,255	(358,726)	3,847,057
Total Operating Revenues	136,424,269	197,255	(358,726)	136,262,798
Total Revenue Deficiency	35,663,044	(986,245)	(17,653,052)	17,023,748

¹⁵ Numbers may not add due to rounding, and any minor discrepancies between the numbers in the Schedules and those in the text are due to rounding.

B. WMECO Schedule 2 – Operations and Maintenance Expenses

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Test Year O&M Expense	\$59,918,641	(\$159,997)	\$413,176	\$60,171,820
ADJUSTMENTS TO TEST YEAR O&M EXPENSE:				
Postage Expense	(27,580)	0	0	(27,580)
Uncollectible Expense	(2,063,199)	0	0	(2,063,199)
Fee Free Payment Processing	906,909	0	(906,909)	0
Fee Free Payment Processing O&M Savings Offset	0	0	9,378	9,378
Dues and Memberships	(2,693)	0	0	(2,693)
Employee Benefits Costs	206,047	205,993	(24,483)	387,557
Insurance Expense and Injuries & Damage	(110,172)	0	0	(110,172)
Payroll Expense	1,694,639	0	(173,600)	1,521,039
Variable Compensation	(714,682)	0	(85,221)	(799,903)
Vegetation Management Resiliency Tree Work Pilot	3,902,175	0	(3,902,175)	0
Rate Case Expense	311,279	37,027	(5,127)	343,179
Regulatory Assessments	(374,453)	80,051	413,176	118,774
Lease Expense	13,819	0	(27,167)	(13,348)
Information Systems Expense Adjustment	244,633	(6,696)	(237,937)	(0)
Storm Cost Adjustment	720,000	0	0	720,000
Storm Fund Adjustment	2,000,000	0	0	2,000,000
Eversource Service Company Charges	0	0	(662)	(662)
Insurance Policy Distribution	0	0	(22,675)	(22,675)
Residual O&M Inflation Adjustment	942,355	(73,669)	80,933	949,619
Sum of O&M Expense Adjustments	7,649,077	242,705	(4,882,469)	3,009,313
Total O&M Expense	67,567,718	82,708	(4,469,293)	63,181,133

C. WMECO Schedule 3 – Depreciation and Amortization Expenses

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Depreciation and Amortization Expense	30,276,615	(44,091)	(3,248,078)	26,984,446
Amortization of Deferred Assets	2,504,409	(1,120,000)	(1,560)	1,382,849
Total Depreciation and Amortization Expense	32,781,024	(1,164,091)	(3,249,638)	28,367,295

D. WMECO Schedule 4 – Rate Base and Return on Rate Base

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Utility Plant in Service	834,673,665	(1,586,025)	(3,488,926)	829,598,714
LESS:				
Reserve for Depreciation	232,345,474	(6,919)	0	232,338,555
Reserve for Amortization	19,245,859	0	0	19,245,859
Net Utility Plant in Service	583,082,332	(1,579,106)	(3,488,926)	578,014,300
ADDITIONS TO PLANT:				
Cash Working Capital	7,547,362	94,114	(407,746)	7,233,729
ASC 740 (net)	19,209,890	0	0	19,209,890
Materials and Supplies	2,242,787	0	0	2,242,787
Total Additions to Plant	29,000,039	94,114	(407,746)	28,686,406
DEDUCTIONS FROM PLANT:				
Reserve for Deferred Income Tax	168,804,718	(255,350)	(672,829)	167,876,539
Customer Deposits	2,114,715	0	0	2,114,715
Customer Advances	291,410	0	0	291,410
Total Deductions from Plant	171,210,843	(255,350)	(672,829)	170,282,664
RATE BASE	440,871,528	(1,229,642)	(3,223,843)	436,418,042
COST OF CAPITAL	7.62%	-0.11%	-0.25%	7.26%
RETURN ON RATE BASE	33,576,776	(597,919)	(1,312,364)	31,666,493

E. WMECO Schedule 5 – Cost of Capital

PER COMPANY				
	PRINCIPAL	PERCENTAGE	COST	RATE OF RETURN
Long-Term Debt	\$547,975,604	46.66%	4.32%	2.02%
Preferred Stock	\$0	0.00%	0.00%	0.00%
Common Equity	\$626,410,414	53.34%	10.50%	5.60%
Total Capital	\$1,174,386,018	100.00%		7.62%
Weighted Cost of Debt				2.02%
Preferred				0.00%
Equity				5.60%
Cost of Capital				7.62%

COMPANY ADJUSTMENTS				
	PRINCIPAL	PERCENTAGE	COST	RATE OF RETURN
Long-Term Debt	\$547,975,604	46.66%	4.07%	1.90%
Preferred Stock	\$0	0.00%	0.00%	0.00%
Common Equity	\$626,410,414	53.34%	10.50%	5.60%
Total Capital	\$1,174,386,018	100.00%		7.50%
Weighted Cost of Debt				1.90%
Preferred				0.00%
Equity				5.60%
Cost of Capital				7.50%

PER ORDER				
	PRINCIPAL	PERCENTAGE	COST	RETURN
Long-Term Debt	\$547,975,604	45.49%	3.97%	1.81%
Preferred Stock	\$0	0.00%	0.00%	0.00%
Common Equity	\$656,686,129	54.51%	10.00%	5.45%
Total Capital	\$1,204,661,733	100.00%		7.26%
Weighted Cost of Debt				1.81%
Preferred				0.00%
Equity				5.45%
Cost of Capital				7.26%

F. WMESCO Schedule 6 – Cash Working Capital

	PER	COMPANY	DPU	PER ORDER
	COMPANY	ADJUSTMENT	ADJUSTMENT	PER ORDER
Total O&M Expense	67,567,718	82,708	(4,469,293)	63,181,133
Less Uncollectible Accounts	3,100,435		0	3,100,435
Taxes Other Than Income	18,259,052	948,871	0	19,207,923
Total Costs Subject to Cash Working Capital	82,726,335	1,031,579	(4,469,293)	79,288,621
Cash Working Capital Factor (33.30/365)	9.123%	9.123%	9.123%	9.123%
Total Cash Working Capital Allowance	7,547,362	94,114	(407,746)	7,233,729

G. WMECO Schedule 7 – Taxes Other Than Income Taxes

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
FICA	1,294,826	0	(17,574)	1,277,252
Medicare	356,766	0	0	356,766
Federal Unemployment	10,015	0	0	10,015
State Unemployment	63,080	0	(17,574)	45,506
State Insurance Premium Excise Tax	30,003	0	0	30,003
Federal Highway Tax	1,610	0	0	1,610
Universal Health Tax	8,203	0	0	8,203
State Sales and Use Tax/Other	942	0	0	942
Property Tax	16,493,608	948,871	0	17,442,479
Taxes Other Than Income	18,259,052	948,871	(35,148)	19,172,775

H. WMECO Schedule 8 – Income Taxes

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Rate Base	440,871,529	(1,229,642)	(3,223,843)	436,418,042
Return on Rate Base	33,576,776	(597,919)	(1,312,364)	31,666,493
Add: Flow-Through and Permanent Items	3,815,783	0	0	3,815,783
Less: Interest Expense	(8,885,325)	529,051	478,928	(7,877,346)
Add: FAS 109 Income Taxes and ITC	176,747	0	49,019	225,766
Total Deductions	(4,892,795)	529,051	527,947	(3,835,797)
Taxable Income Base	28,683,981	(68,867)	(784,417)	27,830,696
Gross Up Factor	1.672241	1.672241	1.375894	1.375894
Taxable Income	47,966,524	(115,163)	(9,559,263)	38,292,098
Massachusetts Income Tax (8%)	3,837,322	(9,213)	(764,741)	3,063,368
Federal Taxable Income	44,129,202	(105,950)	(8,794,522)	35,228,730
Federal Income Tax Calculated (21%)	15,445,221	(37,082)	(8,010,106)	7,398,033
Total Income Taxes Calculated	19,282,543	(46,295)	(8,774,847)	10,461,401
Add: FAS 109 Income Taxes and ITC	176,747	0	49,019	225,766
Total Income Taxes	19,459,290	(46,295)	(8,725,828)	10,687,167

I. WMECO Schedule 9 - Revenues

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
<u>Distribution Revenues</u>				
Distribution Revenues	132,218,977	0	(464,646)	131,754,331
Revenue Decoupling (Prior Year Refund)	(5,104,988)	0	0	(5,104,988)
Revenue Decoupling	5,301,752	0	464,646	5,766,398
Total Distribution Revenues	<u>132,415,741</u>	<u>0</u>	<u>0</u>	<u>132,415,741</u>
<u>Other Revenues</u>				
Sales for Resale (447)	55,380	0	0	55,380
Late Payment Charges (450)	526,847	(238,893)		287,954
Misc. Revenues (451)	246,414	436,148	(358,726)	323,836
Rent from Electric Property (454)	800,581	0		800,581
Other Electric Revenue (456)	2,379,306	0	0	2,379,306
Total Other Revenues	<u>4,008,528</u>	<u>197,255</u>	<u>(358,726)</u>	<u>3,847,057</u>
Adjusted Total Operating Revenues	<u>136,424,269</u>	<u>197,255</u>	<u>(358,726)</u>	<u>136,262,798</u>

VII. SCHEDULE 10

A. Schedule 10 – Allocation to Rate Classes - For illustrative purposes only

RATE CLASS	PRO FORMA BASE REVENUE @ CURRENT RATES		PRO FORMA TOTAL REVENUE @ CURRENT RATES		RECONCILING RATE ADJUSTMENTS	PROPOSED REVENUE AT ERROR	PROPOSED REVENUE AT ERROR	REVENUES CREDITED TO BASE RATES		PROPOSED REVENUE INCREASE		PROPOSED REVENUE INCREASE		PROPOSED REVENUE TO BE CREDITED PER 10% CAP	PROPOSED BASE RATE ALLOCATOR	PROPOSED REVENUE PER 10% CAP ALLOCATION	PROPOSED REVENUE INCREASE	
	(A)	(B)	(C)	(D)				(E)	(F)	(G)	(H)	(I)	(J)					(K)
1 RATE CLASS																		
2 Residential (R1/R2)	\$ 390,568,779	\$ 1,418,937,578	\$ 21,383,316	\$ 423,181,445	\$ -	\$ 60,581,628	\$ 413,206,072	\$ 12,953,623	\$ 31,048,986	\$ 141,609,258	\$ -	\$ -	\$ 413,206,072	\$ 3,623,841	\$ 34,570,827	\$ -	\$ -	\$ -
3 Residential Heat (R3/R4)	\$ 43,428,667	\$ 177,300,451	\$ 4,140,373	\$ 60,581,628	\$ -	\$ 26,092,032	\$ 65,003,524	\$ 1,895,466	\$ 23,821,704	\$ 17,730,945	\$ 6,090,819	\$ -	\$ 17,730,945	\$ 172,930,945	\$ -	\$ -	\$ -	\$ -
4 G1/T1 BOS	\$ 34,243,264	\$ 102,450,285	\$ 26,092,032	\$ 210,598,761	\$ -	\$ 210,598,761	\$ 210,598,761	\$ 5,847,720	\$ (6,817,681)	\$ 108,435,649	\$ -	\$ -	\$ 210,598,761	\$ 1,816,885	\$ (9,432,248)	\$ -	\$ -	\$ -
5 G2/T2 BOS	\$ 287,822,356	\$ 1,094,356,494	\$ (8,286,783)	\$ 8,581,828	\$ -	\$ 8,581,828	\$ 8,581,642	\$ 238,293	\$ (388,387)	\$ 4,061,868	\$ -	\$ -	\$ 8,581,642	\$ 74,037	\$ (8,315,950)	\$ -	\$ -	\$ -
6 G2/R1/R2 BOS	\$ 7,867,097	\$ 40,613,676	\$ (985,639)	\$ 14,405,558	\$ -	\$ 14,405,558	\$ 14,405,558	\$ 448,177	\$ 5,386,007	\$ 8,098,798	\$ -	\$ -	\$ 14,405,558	\$ 139,248	\$ 139,248	\$ -	\$ -	\$ -
7 G2/R1/R2 CAM	\$ 16,122,241	\$ 81,440,341	\$ (695,510)	\$ 14,435,517	\$ -	\$ 14,435,517	\$ 14,435,517	\$ 460,833	\$ 5,386,007	\$ 8,144,034	\$ -	\$ -	\$ 14,435,517	\$ 483,101	\$ 483,101	\$ -	\$ -	\$ -
8 G3/R1/R2 CAM	\$ 8,127,084	\$ 41,617,418	\$ (34,567)	\$ 450,757	\$ -	\$ 450,757	\$ 450,757	\$ 12,516	\$ 241,468	\$ 119,571	\$ -	\$ -	\$ 450,757	\$ 156,571	\$ 156,571	\$ -	\$ -	\$ -
9 G3/R1/R2 CAM	\$ 1,955,710	\$ 9,800,741	\$ (6,044,444)	\$ 46,293,185	\$ -	\$ 46,293,185	\$ 46,831,592	\$ 12,516	\$ 241,468	\$ 18,040,174	\$ -	\$ -	\$ 46,831,592	\$ 399,382	\$ 2,570,908	\$ -	\$ -	\$ -
10 G1/G7 COM	\$ 37,310,195	\$ 180,401,741	\$ (3,378,128)	\$ 14,003,784	\$ -	\$ 14,003,784	\$ 14,166,659	\$ 388,845	\$ 66,828	\$ 6,605,130	\$ -	\$ -	\$ 14,003,784	\$ 120,814	\$ 187,742	\$ -	\$ -	\$ -
11 G2 COM	\$ 10,331,759	\$ 55,081,303	\$ (3,378,128)	\$ 14,003,784	\$ -	\$ 14,003,784	\$ 14,166,659	\$ 388,845	\$ 66,828	\$ 6,605,130	\$ -	\$ -	\$ 14,003,784	\$ 120,814	\$ 187,742	\$ -	\$ -	\$ -
12 G2 COM	\$ 5,746,673	\$ 29,241,414	\$ (1,333,9)	\$ 115,679	\$ -	\$ 115,679	\$ 117,024	\$ 3,212	\$ 26,815	\$ 38,346	\$ -	\$ -	\$ 115,679	\$ 8,988	\$ 26,813	\$ -	\$ -	\$ -
13 G4 COM	\$ 383,456	\$ 2,207,241	\$ 30,905	\$ 991,306	\$ -	\$ 991,306	\$ 1,002,836	\$ 27,526	\$ 602,403	\$ 220,724	\$ -	\$ -	\$ 991,306	\$ 62,224	\$ 220,724	\$ -	\$ -	\$ -
14 G8 COM	\$ 71,456	\$ 620,244	\$ (12,804)	\$ 207,713	\$ -	\$ 207,713	\$ 210,129	\$ 5,768	\$ 120,132	\$ 62,224	\$ -	\$ -	\$ 207,713	\$ 62,224	\$ 62,224	\$ -	\$ -	\$ -
15 G8 COM	\$ 334,288	\$ 1,086,356	\$ 30,117	\$ 672,279	\$ -	\$ 672,279	\$ 680,099	\$ 18,667	\$ 357,311	\$ 108,840	\$ -	\$ -	\$ 672,279	\$ 248,671	\$ 248,671	\$ -	\$ -	\$ -
16 G8 COM	\$ 2,207,241	\$ 9,677,783	\$ 25,171,187	\$ 16,586,346	\$ -	\$ 16,586,346	\$ 16,586,346	\$ 698,931	\$ 2,703,161	\$ 9,677,778	\$ -	\$ -	\$ 16,586,346	\$ 25,171,187	\$ 25,171,187	\$ -	\$ -	\$ -
17 G4/WVA	\$ 24,579,853	\$ 96,777,937	\$ 1,884,039	\$ 16,586,346	\$ -	\$ 16,586,346	\$ 16,586,346	\$ 698,931	\$ 2,703,161	\$ 9,677,778	\$ -	\$ -	\$ 16,586,346	\$ 25,171,187	\$ 25,171,187	\$ -	\$ -	\$ -
18 G4/WVA	\$ 11,001,556	\$ 44,583,547	\$ 854,039	\$ 6,744,489	\$ -	\$ 6,744,489	\$ 6,744,489	\$ 187,275	\$ 3,326,817	\$ 5,683,654	\$ -	\$ -	\$ 6,744,489	\$ 1,088,448	\$ 1,088,448	\$ -	\$ -	\$ -
19 G4/WVA	\$ 5,853,527	\$ 23,142,525	\$ 1,421,699	\$ 6,744,489	\$ -	\$ 6,744,489	\$ 6,744,489	\$ 187,275	\$ 3,326,817	\$ 5,683,654	\$ -	\$ -	\$ 6,744,489	\$ 1,088,448	\$ 1,088,448	\$ -	\$ -	\$ -
20 G4/WVA	\$ 6,074,539	\$ 24,579,853	\$ 1,421,699	\$ 6,744,489	\$ -	\$ 6,744,489	\$ 6,744,489	\$ 187,275	\$ 3,326,817	\$ 5,683,654	\$ -	\$ -	\$ 6,744,489	\$ 1,088,448	\$ 1,088,448	\$ -	\$ -	\$ -
21 Streetlights EWA	\$ 4,686,457	\$ 8,016,178	\$ (128,527)	\$ 7,027,622	\$ -	\$ 7,027,622	\$ 6,983,368	\$ 94,078	\$ 1,674,266	\$ 1,801,518	\$ -	\$ -	\$ 7,027,622	\$ 872,048	\$ 872,048	\$ -	\$ -	\$ -
22 Streetlights EWA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23 Streetlights EWA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24 Streetlights EWA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25 Streetlights EWA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26 Total Company	\$ 960,557,041	\$ 4,089,834,936	\$ (3,289,386)	\$ 974,886,320	\$ -	\$ 974,886,320	\$ 974,767,471	\$ 28,325,010	\$ (17,403,945)	\$ 408,983,494	\$ 7,682,153	\$ -	\$ 900,810,378	\$ 7,682,153	\$ (17,403,945)	\$ -	\$ -	\$ -
27 RATE CLASS																		
28 Residential (R1/R2)	\$ 13,207,511	\$ 28,395,504	\$ 5,530,016	\$ 21,363,316	\$ -	\$ 4,140,373	\$ 28,395,504	\$ 1,895,466	\$ 23,821,704	\$ 17,730,945	\$ 6,090,819	\$ -	\$ 17,730,945	\$ 3,623,841	\$ 34,570,827	\$ -	\$ -	\$ -
29 Residential Heat (R3/R4)	\$ 13,590,572	\$ 21,383,316	\$ 4,140,373	\$ 60,581,628	\$ -	\$ 26,092,032	\$ 65,003,524	\$ 1,895,466	\$ 23,821,704	\$ 17,730,945	\$ 6,090,819	\$ -	\$ 17,730,945	\$ 172,930,945	\$ -	\$ -	\$ -	\$ -
30 G1/T1 BOS	\$ -	\$ 102,450,285	\$ 26,092,032	\$ 210,598,761	\$ -	\$ 210,598,761	\$ 210,598,761	\$ 5,847,720	\$ (6,817,681)	\$ 108,435,649	\$ -	\$ -	\$ 210,598,761	\$ 1,816,885	\$ (9,432,248)	\$ -	\$ -	\$ -
31 G2/T2 BOS	\$ -	\$ 40,613,676	\$ (985,639)	\$ 14,405,558	\$ -	\$ 14,405,558	\$ 14,405,558	\$ 448,177	\$ 5,386,007	\$ 8,098,798	\$ -	\$ -	\$ 14,405,558	\$ 139,248	\$ 139,248	\$ -	\$ -	\$ -
32 G3/R1/R2 BOS	\$ -	\$ 41,617,418	\$ (34,567)	\$ 450,757	\$ -	\$ 450,757	\$ 450,757	\$ 12,516	\$ 241,468	\$ 119,571	\$ -	\$ -	\$ 450,757	\$ 156,571	\$ 156,571	\$ -	\$ -	\$ -
33 G4/W1/G8 CAM	\$ 650,289	\$ 3,378,128	\$ -	\$ 46,293,185	\$ -	\$ 46,293,185	\$ 46,831,592	\$ 12,516	\$ 241,468	\$ 18,040,174	\$ -	\$ -	\$ 46,831,592	\$ 399,382	\$ 2,570,908	\$ -	\$ -	\$ -
34 G2/S1V/SB/G3 CAM	\$ 6,200,017	\$ 30,117	\$ -	\$ 14,003,784	\$ -	\$ 14,003,784	\$ 14,166,659	\$ 388,845	\$ 66,828	\$ 6,605,130	\$ -	\$ -	\$ 14,003,784	\$ 120,814	\$ 187,742	\$ -	\$ -	\$ -
35 G4 CAM	\$ 67,205	\$ 30,117	\$ -	\$ 672,279	\$ -	\$ 672,279	\$ 680,099	\$ 18,667	\$ 357,311	\$ 108,840	\$ -	\$ -	\$ 672,279	\$ 248,671	\$ 248,671	\$ -	\$ -	\$ -
36 G4 CAM	\$ 154,168	\$ 6,744,489	\$ 1,884,039	\$ 16,586,346	\$ -	\$ 16,586,346	\$ 16,586,346	\$ 698,931	\$ 2,703,161	\$ 9,677,778	\$ -	\$ -	\$ 16,586,346	\$ 25,171,187	\$ 25,171,187	\$ -	\$ -	\$ -
37 G5 CAM	\$ 8,581,828	\$ 44,583,547	\$ 854,039	\$ 6,744,489	\$ -	\$ 6,744,489	\$ 6,744,489	\$ 187,275	\$ 3,326,817	\$ 5,683,654	\$ -	\$ -	\$ 6,744,489	\$ 1,088,448	\$ 1,088,448	\$ -	\$ -	\$ -
38 G2 COM	\$ 3,453,458	\$ 18,040,174	\$ 1,421,699	\$ 6,744,489	\$ -	\$ 6,744,489	\$ 6,744,489	\$ 187,275	\$ 3,326,817	\$ 5,683,654	\$ -	\$ -	\$ 6,744,489	\$ 1,088,448	\$ 1,088,448	\$ -	\$ -	\$ -
39 G2 COM	\$ 3,453,458	\$ 18,040,174	\$ 1,421,699	\$ 6,744,489	\$ -	\$ 6,744,489	\$ 6,744,489	\$ 187,275	\$ 3,326,817	\$ 5,683,654	\$ -	\$ -	\$ 6,744,489	\$ 1,088,448	\$ 1,088,448	\$ -	\$ -	\$ -
40 G3 COM	\$ 3,453,458	\$ 18,040,174	\$ 1,421,699	\$ 6,744,489	\$ -	\$ 6,744,489	\$ 6,744,489	\$ 187,275	\$ 3,326,817	\$ 5,683,654	\$ -	\$ -	\$ 6,744,489	\$ 1,088,448	\$ 1,088,448	\$ -	\$ -	\$ -
41 G4 COM	\$ 40,137	\$ 13,324	\$ -	\$ 450,757	\$ -	\$ 450,757	\$ 450,757	\$ 12,516	\$ 241,468	\$ 119,571	\$ -	\$ -	\$ 450,757	\$ 156,571	\$ 156,571	\$ -	\$ -	\$ -
42 G4 COM	\$ 140,137	\$ 13,324	\$ -	\$ 450,757	\$ -	\$ 450,757	\$ 450,757	\$ 12,516	\$ 241,468	\$ 119,571	\$ -	\$ -	\$ 450,757	\$ 156,571	\$ 156,571	\$ -	\$ -	\$ -
43 G4 COM	\$ 75,228	\$ 12,804	\$ -	\$ 715	\$ -	\$ 715	\$ 715	\$ 715	\$ -	\$ -	\$ -	\$ -	\$ 715	\$ 715	\$ 715	\$ -	\$ -	\$ -
44 G4 COM	\$ 2,329	\$ 715	\$ -	\$ 30,117	\$ -	\$ 30,117	\$ 30,117	\$ 30,117	\$ -	\$ -	\$ -	\$ -	\$ 30,117	\$ 30,117	\$ 30,117	\$ -	\$ -	\$ -
45 G4 WVA	\$ 478,462	\$ 1,895,466	\$ 2,631,177	\$ 2,631,177	\$ -	\$ 2,631,177	\$ 2,631,177	\$ 854,039	\$ 1,290,543	\$ 1,421,699	\$ -	\$ -	\$ 2,631,177	\$ 854,039	\$ 854,039	\$ -	\$ -	\$ -
46 G4 WVA	\$ 478,462	\$ 1,895,466	\$ 2,631,177	\$ 2,631,177	\$ -	\$ 2,631,177	\$ 2,631,177	\$ 854,039	\$ 1,290,543	\$ 1,421,699	\$ -	\$ -	\$ 2,631,177	\$ 854,039	\$ 854,039	\$ -	\$ -	\$ -
47 G2/T1 WVA	\$ 1,589,527	\$ 4,061,868	\$ -	\$ 4,061,868	\$ -	\$ 4,061,868	\$ 4,061,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,061,868	\$ 4,061,868	\$ 4,061,868	\$ -	\$ -	\$ -
48 T3 WVA	\$ 4,061,868	\$ 14,188,285	\$ -	\$ 4,061,868	\$ -	\$ 4,061,868	\$ 4,061,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,061,868	\$ 4,061,868	\$ 4,061,868	\$ -	\$ -	\$ -
49 T3 WVA	\$ 1,963,305	\$ 7,930,145	\$ -	\$ 1,963,305	\$ -	\$ 1,963,305	\$ 1,963,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,963,305	\$ 1,963,305	\$ 1,963,305	\$ -	\$ -	\$ -
50 Streetlights EWA	\$ 930,145	\$ -	\$ -	\$ (128,527)	\$ -	\$ (128,527)	\$ (128,527)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (128,527)	\$ (128,527)	\$ (128,527)	\$ -	\$ -	\$ -
51 Streetlights EWA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
52 Total Company	\$ 64,030,472	\$ 305,625,967	\$ 64,030,472	\$ (17,403,945)	\$ -	\$ 2,872,882	\$ 299,443,701	\$ 2,872,882	\$ (17,403,945)	\$ 946,442,461	\$ 14,114,579	\$ -	\$ 946,442,461	\$ -	\$ -	\$ -	\$ -	\$ -

VIII. ORDER

Accordingly, after due notice, opportunity for comment and consideration, it is

ORDERED: That the Attorney General's Motion for Reconsideration and to Reopen the Hearings, or in the Alternative, a Complaint Pursuant to G.L. c. 164, § 93 is GRANTED in part and DENIED in part; and it is

FURTHER ORDERED: That NSTAR Electric Company's and Western Massachusetts Electric Company's Compliance Filing and Revised Compliance Filing are APPROVED for rates and tariffs effective February 1, 2018, subject to the findings above; and it is

FURTHER ORDERED: That NSTAR Electric Company's and Western Massachusetts Electric Company's Motion for Recalculation is GRANTED in part and DENIED in part; and it is

FURTHER ORDERED: That the revenue requirement for NSTAR Electric Company is set at (\$32,637,603); and it is

FURTHER ORDERED: That the revenue requirement for Western Massachusetts Electric Company is set at \$17,023,748; and it is

FURTHER ORDERED: That NSTAR Electric Company and Western Massachusetts Electric Company shall file revised schedules of rates and charges based on the combined revenue requirements set herein; and it is

FURTHER ORDERED: That NSTAR Electric Company and Western Massachusetts Electric Company shall comply with all other orders and directives contained in this Order.

By Order of the Department,

/s/

Angela M. O'Connor, Chairman

/s/

Robert E. Hayden, Commissioner

/s/

Cecile M. Fraser, Commissioner

An appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part. Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of the twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. G.L. c. 25, § 5.