

**COMMONWEALTH OF MASSACHUSETTS**

**DEPARTMENT OF PUBLIC UTILITIES**

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Petition of National Grid USA	)	
For Waiver of Jurisdiction under	)	D.P.U. 21-60
General Laws Chapter 164, §96(c)	)	
Regarding National Grid Sale of	)	
The Narragansett Electric Company in	)	
Rhode Island	)	
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**SETTLEMENT AGREEMENT**

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**SETTLEMENT AGREEMENT**

WHEREAS, this Settlement Agreement (“Settlement Agreement”) is entered into by and among Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid (together “Mass. Electric”), Boston Gas Company d/b/a National Grid (“Boston Gas”) (collectively, the “MA Operating Companies”), their holding company parent, National Grid USA (“National Grid”) and the Massachusetts Attorney General’s Office (“AGO”) (together, the “Settling Parties”) with regard to the proposed sale by National Grid of its wholly owned Rhode Island operating subsidiary, The Narragansett Electric Company (“Narragansett”), to PPL Rhode Island Holdings, LLC (“PPL Rhode Island”), a wholly owned subsidiary of PPL Corporation (the “Transaction”).

WHEREAS, the Massachusetts Department of Public Utilities (the “Department”) issued a decision on July 16, 2021, in D.P.U. 21-60, granting National Grid’s request for a waiver of G.L. c. 164, § 96(c) as applied to its sale of its wholly owned subsidiary, Narragansett (the “Waiver Decision”).

WHEREAS, said Waiver Decision is the subject of a pending appeal by the AGO to the Massachusetts Supreme Judicial Court (“Court”) in Docket Number SJ-2021-0305 (Single

Justice); Docket Number SJ-2022-M003 (Single Justice); and Docket Number SJC-13235 (Full Court), and is currently stayed by ruling of the Court.

WHEREAS, there is a desire by the Settling Parties to assure that the Transaction will be consistent with the public interest as required by G.L. c. 164, § 96(c), including “no adverse impact” to the customers of the MA Operating Companies as a result of National Grid’s sale of Narragansett to PPL Rhode Island.

WHEREAS, the Settling Parties have raised competing and disputed claims with respect to the various issues regarding the Transaction but wish to resolve only those matters specified in Article II and Article III of this Settlement Agreement on mutually agreeable terms, and without establishing any new precedent or principle applicable to any other administrative or judicial proceedings.

WHEREAS, the provisions of this Settlement Agreement will take effect upon Closing, as defined by Article II, Section 2.1 of the Share Purchase Agreement, dated March 17, 2021.<sup>1</sup>

NOW THEREFORE, in consideration of the exchange of promises and covenants herein contained, the legal sufficiency of which is hereby acknowledged, the Settling Parties agree, as follows:

### **SUMMARY OUTCOME**

This Settlement Agreement establishes three commitments for National Grid. First, the Settlement Agreement quantifies the “stranded cost” impact of the Transaction for customers of

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<sup>1</sup> Pursuant to Article II, Section 2.1 of the Share Purchase Agreement dated March 17, 2021, by and among the parties to the Transaction, the term “Closing” is defined as: “[t]he closing of the transactions provided for in this Agreement with respect to the sale and purchase of the Rover Equity Interest (the “Closing”) shall take place ... on the fifth (5th) Business Day following the date on which the last of the conditions required to be satisfied or waived pursuant to Article VII is either satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing, but subject to satisfaction or waiver thereof), or (b) at such other place, time or date as the Parties shall agree upon in writing.”

the MA Operating Companies and establishes a detailed process that National Grid will follow to demonstrate that the costs quantified as part of this Settlement Agreement are eliminated, mitigated and/or absorbed by National Grid in future distribution rate proceedings, including the creation of a \$5 million regulatory liability to support annual customer refunds of cost impacts that have the potential to occur within the context of the reconciling rate mechanisms.

Second, this Settlement Agreement commits National Grid to a one-time bill credit of \$7.9 million for customers of the MA Operating Companies as a proxy for certain cost increases that the Settling Parties have agreed have the potential to occur over the next five years following the Transaction, while National Grid strives to eliminate, mitigate or offset the stranded cost impact.

Third, this Settlement Agreement commits National Grid to a contribution of \$5 million within 30 days of Closing, through its MA Operating Companies, to forgive \$3 million in arrearages over 90 days for Massachusetts electric distribution customers; to forgive \$1 million in arrearages over 90 days for Massachusetts gas distribution customers; and, to provide \$1 million to the AGO's Residential Energy Assistance Grant Program.

In exchange, upon execution of this Settlement Agreement, the AGO will join with National Grid to file a Joint Stipulation of Voluntary Dismissal of Appeal and Motion to Lift the Court's March 3, 2022, Order of Stay ("Motion") to the Massachusetts Supreme Judicial Court ("Court"). Such Motion will effect the withdrawal of the AGO's pending appeal in Docket Numbers SJ-2021-0305 (Single Justice); SJ-2022-M003 (Single Justice); and SJC-13235 (Full Court), thereby enabling the fulfillment of National Grid's commitments established herein, upon Closing.

## ARTICLE I

1.1 Narragansett currently provides electric and gas distribution service to retail customers in Rhode Island as a wholly owned subsidiary of National Grid. Within the existing National Grid corporate structure, the Service Company provides certain common services across National Grid's subsidiaries (*e.g.*, human resources, finance, and legal). The Service Company incurs costs associated with the provision of these common services and assigns, attributes or allocates the costs of the shared services to the National Grid subsidiary companies, including Narragansett, that receive the benefit of services so provided. Cost allocations are made pursuant to methodologies that follow allocation principles established by the Federal Energy Regulatory Commission ("FERC") and that are reviewed by the state regulatory jurisdictions in which National Grid operates. These allocations are set forth in the Service Company's Cost Allocation Manual.

1.2 There are three categories of shared costs that may be charged, assigned, or allocated to Narragansett by the Service Company for shared services:

- Directly assignable costs are specifically identifiable costs, as well as the company in which it relates to;
- Directly attributable costs are cost causal charges – directly attributable costs that are allocated based on measurable cost causing relationships (*e.g.* # of employees, # of calls); and
- Indirectly Attributable Service Company ("IASC") costs are general costs stemming from the allocator pool that are allocated on a three-point formula (net plant, net margin, and net O&M).

With the sale of Narragansett, the directly assignable and directly attributable costs will be conveyed to PPL or otherwise eliminated in relation to these categories. IASC costs are general, shared costs.

- 1.3 On May 4, 2021, National Grid filed a petition (“Petition”) and supporting affidavit with the Department requesting a waiver of the Department’s public interest determination under G.L. c. 164, § 96(c) (“Section 96(c)”) with respect to the Transaction. The Department docketed the proceeding as D.P.U. 21-60.
- 1.4 On July 16, 2021, the Department issued the Waiver Decision.
- 1.5 In addition to granting National Grid’s request for waiver, the Department made certain findings and issued directives to National Grid in connection with the Transaction. The Department’s directives, included, but were not limited to, a directive that National Grid prepare and file a cost mitigation study verified by an independent third party in the MA Operating Companies’ next respective base distribution rate proceedings; a directive that any costs submitted for recovery in future proceedings as a result of the Transaction would be reviewed by the Department pursuant to its ratemaking authority; and a directive that National Grid submit an informational filing concerning National Grid’s cost recovery mechanisms that recover shared costs allocated from the Service Company.
- 1.6 On August 12, 2021, the AGO appealed the Department’s decision to the Supreme Judicial Court.
- 1.7 On December 31, 2021, the AGO filed a motion to stay pending appellate review with the Single Justice. On February 24, 2022, the Single Justice (Kafker, J.) entered a temporary stay of the Transaction. On March 3, 2022, the Supreme Judicial Court allowed the AGO’s motion to stay the Transaction until further order of the Court.

## ARTICLE II

- 2.1 DISMISSAL OF APPEAL. Upon execution of this Settlement Agreement, the Settling Parties commit to file a Joint Stipulation of Voluntary Dismissal of Appeal and Motion to Lift the Court's March 3, 2022, Order of Stay ("Motion") to the Massachusetts Supreme Judicial Court ("Court"). Such Motion will effect the withdrawal of the AGO's pending appeal in Docket Numbers SJ-2021-0305 (Single Justice); SJ-2022-M003 (Single Justice); and SJC-13235 (Full Court), in exchange for the National Grid and MA Operating Company commitments made herein. Each party shall bear its own Attorneys' fees and costs.
- 2.2 DEFINITION OF STRANDED COSTS. The Settling Parties agree that the MA Operating Companies shall have the burden in future base distribution rate proceedings, identified herein, to demonstrate that National Grid has eliminated, mitigated and/or absorbed the "Stranded Costs," which are defined herein as costs in existence as of December 31, 2021 that would represent incremental, future adverse impact for customers of the MA Operating Companies arising out of the loss of Narragansett's share of the Indirectly Attributable Service Company costs, if not eliminated, mitigated, or otherwise absorbed by National Grid. [Appendix 1, Itemization and Quantification of IASC Costs].
- 2.3 QUANTIFICATION OF STRANDED COSTS. In 2021 (pre-divestiture), the MA Operating Companies were allocated approximately 29.9 percent of Service Company's IASC costs. [Appendix 2, IASC 2021 Stranded Cost Analysis]. As a result of the divestiture, the allocated share of those costs would increase to approximately 33.73 percent, all else equal, representing a recurring adverse impact of \$29,051,675, based on 2021 data, constituting the "Stranded Costs," if not mitigated by National Grid.

- 2.4 BASE DISTRIBUTION RATES. The currently effective base distribution rates of the MA Operating Companies are currently established to exclude the Narragansett share of IASC costs in each of the respective test years, because the MA Operating Companies have PBR plans in effect that determine the base distribution rates for the terms of the respective rate plans. For Mass. Electric, base distribution rates are established through October 1, 2024. For Boston Gas, base distribution rates are established through October 1, 2026. Massachusetts customers will continue to receive the benefit of the IASC cost allocation to Narragansett in base distribution rates until the effective date of any new rates from each distribution company's next base distribution rate case.
- 2.5 RECONCILING RATE FACTORS. National Grid shall provide the AGO with a list of reconciling mechanisms identifying whether the respective reconciling factors currently recover any IASC costs. [Appendix 3, MA Reconciling Mechanism List].
- 2.6 IDENTIFICATION OF CAPITALIZED AND DEFERRED IASC COSTS IN BASE DISTRIBUTION RATE CASE FILINGS. To the extent that any respective capitalized or deferred cost within the category of IASC costs is incurred after the Closing of the Transaction, and is proposed for recovery through base distribution rates in the next base distribution rate proceeding, National Grid, through its MA Operating Companies, shall: (1) identify the amount of allocated IASC costs in the proposed revenue requirement as of the end of the test year; and (2) compare that amount to the IASC costs allocated to the respective company in calendar year 2021. To the extent that the test year allocation of IASC costs is greater than the IASC cost allocation in 2021, then the incremental difference shall be subject to litigation by the AGO in the associated base distribution rate proceeding.



- 2.7 IDENTIFICATION OF CAPITALIZED AND DEFERRED IASC COSTS IN RECONCILING MECHANISMS. To the extent that any respective capitalized or deferred cost within the category of IASC costs is proposed for recovery after the Closing date in relation to the reconciling mechanisms identified in Appendix 3, National Grid will work with the AGO to identify those amounts within 30 days of the Closing of the Transaction, for purposes of fulfilling Section 2.10.<sup>2</sup>
- 2.8 CAPITALIZED AND DEFERRED COSTS. National Grid will provide each year an accounting of all IASC costs that are capitalized and/or deferred for recovery in the respective year to aid in demonstrating mitigation of the Stranded Costs.
- 2.9 IASC COSTS CATEGORY. The Settling Parties agree that any IASC costs as of December 31, 2021 that are in any way transferred or re-categorized to the Directly Assigned and/or Directly Attributable cost categories and are charged to the MA Operating Companies will not be considered as mitigation of the Stranded Costs.
- 2.10 REGULATORY LIABILITY. At the time of Closing, and for purposes of settlement, National Grid will create a regulatory liability of \$5 million relating to any recovery of IASC costs through the reconciling mechanisms in excess of the recovery authorized for 2021 IASC costs. Once the identification of IASC costs is conducted by National Grid and the AGO for any reconciling mechanism that is currently recovering IASC costs, National Grid will compare those amounts to the 2021 IASC costs in the mechanism and provide a credit to

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<sup>2</sup> Appendix 3 shows that out of 38 individual recovery items, currently only five have the potential to recover IASC costs: GBE; the gas and electric Pension/PBOP factors; the gas environmental remediation recovery mechanisms; and the EV Programs factor. Of these five, National Grid has already agreed to eliminate the GBE cost impact for MA customers. The remaining four mechanisms are under review to confirm which IASC costs may be recovered thereby. The process of identification referenced in Section 2.7, herein, shall include confirmation of all 38 mechanisms and any incremental IASC costs identified will be subject to the resolution in Section 2.10, herein.

customers equal to any incremental amount above the 2021 level through a separate factor that consolidates any credits due to customers in relation to the current and future years. This process will be conducted annually until the Stranded Costs are reviewed and determined in the Second Distribution Base Distribution Rate Case, as provided by Section 2.15, below.

- 2.11 VALIDATION. If the AGO seeks validation of the costs included in one or more reconciling mechanisms in relation to the 30-day process in Section 2.7, herein, National Grid will pay the cost of obtaining validation from an independent certified public accountant to perform such validation.
- 2.12 MITIGATION OF STRANDED COSTS. National Grid accepts the obligation to mitigate the adverse impacts to customers of the MA Operating Companies associated with the divestiture of the Rhode Island business over five years. To satisfy this obligation, National Grid will eliminate, mitigate, or offset with demonstrated savings in other cost categories not previously shared with Narragansett, or absorb the Stranded Cost amount of \$29,051,675, representing IASC costs that would otherwise be charged to the MA Operating Companies.
- 2.13 ANNUAL REPORTS. National Grid will provide annual reports to the AGO of the Stranded Costs and National Grid's efforts to reduce those costs and any non-mitigated amounts charged to the MA Operating Companies through the end of the most recent calendar year ending December 31. National Grid will also report on all mitigation efforts to reduce the annual costs associated with those Directly Attributable costs charged to Narragansett through the end of each calendar year. National Grid will submit the annual reports on June 30 of each year, starting June 30, 2023. These reports will itemize and quantify the

total, non-mitigated IASC costs, if any, charged to each of the MA Operating Companies in the respective year. Those annual reports will be prepared by National Grid and verified by independent certified public accountants. National Grid shall notify the Department of the delivery of each annual report to the AGO and shall make such report available to the Department, at the Department's request. The requirement for annual reports shall terminate once the Department has rendered a determination on the Stranded Costs in the Second Base Distribution Rate Case to be conducted under Section 2.15, herein.

2.14 FIRST BASE DISTRIBUTION RATE CASE. In Mass. Electric's upcoming 2023/2024 electric base distribution rate case, Mass. Electric shall present a full accounting of National Grid's Stranded Cost mitigation efforts and the results through December 31, 2022, and after. Mass. Electric shall demonstrate that the Stranded Costs are fully eliminated, mitigated and/or absorbed, at least in relation to the proportion applicable to Mass. Electric's customers, and shall request a finding from the Department to that effect. If Mass. Electric does not submit said case on the currently expected schedule, the AGO will have the right, after National Grid's second year report has been provided, to petition the Department for a review and to contest any portion of the Stranded Cost amount continuing to be allocated to the MA Operating Companies.

2.15 SECOND BASE DISTRIBUTION RATE CASE. If not addressed in Mass. Electric's electric base distribution rate case (filed in 2023), and not requested by the AGO after the second-year report, then in the gas base distribution rate case expected in 2026,<sup>3</sup> Boston Gas shall

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<sup>3</sup> The fifth annual report would be submitted by June 30, 2027.

demonstrate that the Stranded Costs are fully eliminated, mitigated and/or absorbed, and shall request a finding from the Department to that effect.

2.16 DEPARTMENT REVIEW AND FINDINGS ON MITIGATION OF STRANDED COSTS. If the Department issues a finding that National Grid, through its MA Operating Companies, has demonstrated that the Stranded Costs, as defined in Section 2.3, herein, are fully eliminated, mitigated and/or absorbed following the Second Base Distribution Rate Case described in Section 2.15, herein, then National Grid and the MA Operating Companies' obligations under this Settlement Agreement shall terminate, subject to the exhaustion or expiration of any judicial appeal.

2.17 OTHER TERMINATION. If, after the Second Base Distribution Rate Case conducted pursuant to Section 2.15, herein, the Department finds that the Stranded Costs are not fully eliminated, mitigated and/or absorbed, National Grid and the MA Operating Companies agree to forgo recovery of said amount up to the Stranded Cost amount of \$29,051,675, subject to exhaustion or expiration of any judicial appeal, and National Grid and the MA Operating Companies' obligations to make an affirmative showing under this Settlement Agreement shall terminate. On a going forward basis, unless otherwise resolved by agreement of National Grid and AGO, the Settling Parties agree that, either through a response to a request by the AGO or otherwise, for the next twenty (20) years following the Second Base Distribution Rate Case, the quantified amount of non-mitigated Stranded Costs will increase each year thereafter at the rate of the increase in the Gross Domestic Product Price Index ("GDPPI") as reported by the U.S. Bureau of Economic Analysis. Unless otherwise ordered by the Department, following the expiration of those twenty (20) years, the remaining non-mitigated Stranded Costs shall be fixed at their then-quantified

amount. At all times, the AGO shall retain the right to request a review of mitigation of the remaining inflation-adjusted Stranded Costs, in National Grid's next base distribution rate case, as well as any future base distribution rate case, so long as the Department has not found the Stranded Costs to be fully eliminated, mitigated and/or absorbed per Section 2.15, herein.

2.18 METHODOLOGICAL CHANGES IN ACCOUNTING OR ALLOCATIONS. National Grid will provide to the AGO a complete and detailed description of the reasons for any methodological changes in the Service Company Cost Allocation Manual during the term of this Settlement Agreement. To the extent that methodological changes in Service Company allocations have the effect of reducing the amount of Stranded Costs that would otherwise remain subject to mitigation, National Grid will identify and quantify those amounts in the Annual Report and propose to exclude that impact from any mitigation of Stranded Costs contemplated by this Settlement Agreement. Routine fluctuations in allocations between Massachusetts and New York/All Others shall not be subject to this provision, so long as there is no diminishment of the Stranded Cost amount remaining for mitigation.

2.19 UPDATES OF THIS SETTLEMENT AGREEMENT. In the event that the Transaction closes after June 30, 2022, the Settling Parties agree to update the quantification of Stranded Costs through March 31, 2022, and, so long as the Transaction has not yet closed, National Grid shall update the quantification every three months.

2.20 BILL CREDITS. As compensation to the customers of the MA Operating Companies for potential future increases in IASC costs during the first five years after divestiture, National Grid will provide a \$7.9 million credit to customers of the MA Operating Companies as a

one-time deduction on their bills for utility service. The bill credit will be split between the MA Operating Companies based on the ratio of the most recently approved base distribution revenue requirement and allocated to customers of each company using the base distribution revenue allocator. Within 5 days of the Closing, National Grid shall submit draft tariff provisions to the AGO implementing the \$7.9 million credit to customers of the MA Operating Companies. Within 20 days of Closing, National Grid, through its MA Operating Companies, and the AGO shall submit proposed tariff provisions to the Department for review and approval to flow the \$7.9 million credit through to customers of the MA Operating Companies. Such credit shall be delivered to customers in the form and timing approved by the Department.

- 2.21 ARREARAGE FORGIVENESS. In addition to the foregoing commitments, National Grid, through its MA Operating Companies, commits to forgive \$3 million in arrearages over 90 days for Massachusetts electric distribution customers and \$1 million in arrearages over 90 days for Massachusetts gas distribution customers, within 30 days of the Transaction Closing. National Grid shall also provide \$1 million to the AGO's Residential Energy Assistance Grant ("REAG") Program within 30 days of the Transaction Closing.

### **ARTICLE III: ADDITIONAL CONDITIONS**

- 3.1 No part of this Settlement Agreement is intended to limit, modify or impinge upon the jurisdiction of the Department of Public Utilities, or its ratemaking authority under G.L. c. 164, § 94, nor has the effect of limiting, modifying or displacing requirements set by the Department for National Grid and its MA Operating Companies in the Waiver Decision,

but rather, constitute additional obligations assumed by National Grid and its MA Operating Companies.

- 3.2 The Settling Parties agree that, when considered together with the obligations created by this Settlement Agreement, the Transaction is consistent with the public interest as required by G.L. c. 164, § 96(c), including “no adverse impact” to the customers of the MA Operating Companies as a result of National Grid’s sale of Narragansett to PPL Rhode Island.
- 3.3 As described in the provisions of this Settlement Agreement, certain factual findings are reserved for the Department. The Settling Parties recognize, however, that the Department, as well as other government entities, have broad regulatory authority over the MA Operating Companies and their rates and that the exercise of that authority could affect the customer benefits and protections contemplated by this Settlement Agreement. Accordingly, except as to rulings on those factual findings expressly reserved for the Department herein in Sections 2.14, 2.15, 2.16 and 2.17, the Settling Parties agree that if the Department or any other authority of competent jurisdiction makes any order or takes any action of any kind that has the effect of materially limiting or eliminating any of the customer protections and/or benefits of this Settlement Agreement, then National Grid shall propose to the AGO an alternative means to provide equivalent protections and/or benefits for Massachusetts customers. If the AGO disagrees that National Grid’s proposal would provide equivalent protections and/or benefits for Massachusetts customers, then the Settling Parties agree to negotiate in good faith for an alternative means to provide customers with protections and/or benefits that are equivalent to those agreed to in this Settlement Agreement. If the Settling Parties are unable to mutually agree to an alternative

means to provide customers with protections and/or benefits that are equivalent to those agreed to in this Settlement Agreement, then the AGO shall have the right to pursue an action in the Superior Court of Massachusetts that seeks any damages and/or injunctive relief necessary to make customers whole for the reduction or loss of the customer benefits and/or protections contemplated by this Settlement Agreement.

- 3.4 The making of this Settlement Agreement establishes no principles and shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation, except as described in Article II of this Settlement Agreement.
- 3.5 This Settlement Agreement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in this proceeding, or any facts relating to any other pending proceeding cited in this document, are true or false.
- 3.6 This Settlement Agreement is the product of settlement negotiations. The Settling Parties agree that the content of those negotiations (including any workpapers or documents produced in connection with the negotiations) are confidential to the extent permissible under the Massachusetts Public Records Law, G.L. c. 66, § 10 and G.L. c. 4, § 7, cl. twenty-sixth, that all offers of settlement are without prejudice to the position of any party or participant presenting such offer or participating in such discussion, and, except to enforce rights related to this Settlement Agreement or defend against claims made under this Settlement Agreement, that they will not use the content of those negotiations in any manner in these or other proceedings involving one or more of the Settling Parties, or otherwise.
- 3.7 The Settling Parties intend for customers to receive the full value of the settled issues, and not some substitute regulatory treatment of lesser value either now or in the future, and the



Settling Parties agree that no terms of this Settlement Agreement or supporting workpapers, calculations, or proposed tariffs will be used or interpreted to diminish, in any way, the intended customer benefits related to this Settlement Agreement.

- 3.8 This Settlement Agreement and the Settlement Appendices referred to herein comprise the entire understanding of the Settling Parties with respect to the subject matter hereof and supersede all other prior representations, warranties, agreements, understandings or letters of intent between or among any of the Settling Parties regarding the subject matter hereof.
- 3.9 This Settlement Agreement shall not be amended, modified or supplemented except by a written instrument signed by an authorized representative of each of the Settling Parties.
- 3.10 This Settlement Agreement shall be binding upon and inure to the benefit of the Settling Parties and their respective successors and permitted assigns. No party to this Settlement Agreement may assign its rights or delegate its obligations under this Settlement Agreement without the prior express written consent of the other parties to this Settlement Agreement. Nothing in this Settlement Agreement, express or implied, is intended to or shall confer upon any person or entity other than the Settling Parties and their respective successors, assigns, heirs and estates any legal or equitable right, benefit or remedy of any nature under or by reason of this Settlement Agreement.
- 3.11 To the extent permitted by law, the Department shall have its usual jurisdiction to implement the terms of this Settlement Agreement. Nothing in this Settlement Agreement, however, shall be construed to prevent or delay the AGO from pursuing any cause of action

related to this Settlement Agreement in court under G.L. c. 93A or otherwise under law or regulation.

- 3.12 The provisions of this Settlement Agreement shall be severable and should any provisions be declared by a court or agency of competent jurisdiction to be unenforceable, the other provisions of this Settlement Agreement shall remain in full force and effect.
- 3.13 The terms of this Settlement Agreement shall be governed by Massachusetts law and not the law of another state jurisdiction. This Settlement Agreement shall be effective upon execution, regardless of any pending appeals or motions for reconsideration, clarification or recalculation.
- 3.14 Any number of counterparts of this Settlement Agreement may be executed, and each shall have the same force and effect as an original instrument, and as if all the parties to all the counterparts had signed the same instrument.

The signatories listed below represent that they are authorized on behalf of their principals to enter into this Settlement Agreement.

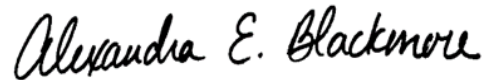
**MAURA HEALEY,  
COMMONWEALTH OF MASSACHUSETTS  
ATTORNEY GENERAL**



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**NATIONAL GRID USA  
MASSACHUSETTS ELECTRIC COMPANY  
NANTUCKET ELECTRIC COMPANY  
BOSTON GAS COMPANY  
EACH D/B/A NATIONAL GRID**



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By: Alexandra Blackmore  
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Dated: March 25, 2022

Appendix 1  
2021 IASC Itemization and Quantification

Calendar Year 2021 Indirectly Attributable Service Company Costs			
CAM Category	Indirectly Attributable		
Sum of Amount Row Labels	Column Labels		
	NG Engineering Svcs, LLC	NGUSA Service Company	Grand Total
<b>Boston Gas Company</b>	<b>9,293</b>	<b>71,554,573</b>	<b>71,563,867</b>
Amortization		9,241,246	9,241,246
Bad Debts		217,386	217,386
Base Labor	156	20,185,494	20,185,650
Capitalized Interest		1	1
Consultants		9,411,941	9,411,941
Contractors		5,008,032	5,008,032
Depreciation		1,976,850	1,976,850
Employee Expenses	4,997	525,697	530,694
External Interest		(631,399)	(631,399)
Internal Interest	-	(32)	(32)
Materials		259,129	259,129
Other Employee Benefit	39	10,298,702	10,298,741
Other Expenses	3,947	12,818,615	12,822,562
Other Taxes		(432,191)	(432,191)
Overtime	106	813,089	813,195
Pension and OPEB	48	1,434,903	1,434,952
Remeasurement		368,825	368,825
Transportation		58,284	58,284
<b>Boston Gas-Colonial Div</b>	<b>2,099</b>	<b>16,132,518</b>	<b>16,134,617</b>
Amortization		2,083,920	2,083,920
Bad Debts		49,120	49,120
Base Labor	35	4,548,814	4,548,849
Capitalized Interest		0	0
Consultants		2,124,016	2,124,016
Contractors		1,130,456	1,130,456
Depreciation		446,914	446,914
Employee Expenses	1,130	118,766	119,896
External Interest		(142,842)	(142,842)
Internal Interest	-	(7)	(7)
Materials		58,135	58,135
Other Employee Benefit	9	2,321,932	2,321,941
Other Expenses	892	2,889,856	2,890,748
Other Taxes		(99,476)	(99,476)
Overtime	24	183,207	183,230
Pension and OPEB	11	323,268	323,279
Remeasurement		83,373	83,373
Transportation		13,065	13,065
<b>Brooklyn Union Gas-KEDNY</b>	<b>15,700</b>	<b>100,725,111</b>	<b>100,740,811</b>
Amortization		13,728,527	13,728,527
Bad Debts		338,613	338,613
Base Labor	804	25,169,328	25,170,132
Capitalized Interest		2	2
Consultants		12,930,119	12,930,119
Contractors		7,031,307	7,031,307
Depreciation	260	4,274,658	4,274,918
Employee Expenses	7,816	804,016	811,832
External Interest		(993,079)	(993,079)
Internal Interest	-	(55)	(55)
Materials		144,095	144,095
Other Employee Benefit	261	13,512,035	13,512,297
Other Expenses	6,159	17,988,368	17,994,528
Other Taxes		24,472	24,472
Overtime	207	1,031,889	1,032,096
Pension and OPEB	193	1,761,424	1,761,617
Property Taxes		2,364,449	2,364,449
Remeasurement		577,023	577,023
Transportation		37,922	37,922
<b>KS Gas East Corp-KEDLI</b>	<b>77,798</b>	<b>59,996,085</b>	<b>60,073,884</b>
Amortization		7,997,806	7,997,806
Bad Debts		198,607	198,607
Base Labor	452	14,718,233	14,718,685
Capitalized Interest		1	1
Consultants		7,437,832	7,437,832
Contractors		4,551,798	4,551,798
Depreciation	68,839	3,443,701	3,512,540
Employee Expenses	4,542	471,003	475,545
External Interest		(565,932)	(565,932)
Internal Interest	-	(34)	(34)
Materials		108,168	108,168
Other Employee Benefit	146	7,894,236	7,894,382
Other Expenses	3,597	10,424,320	10,427,917
Other Taxes		14,210	14,210
Overtime	115	595,934	596,049

Appendix 1  
2021 IASC Itemization and Quantification

Pension and OPEB	108	1,030,820	1,030,928
Property Taxes		1,318,759	1,318,759
Remeasurement		335,099	335,099
Transportation		21,525	21,525
<b>Massachusetts Electric Co</b>	<b>18,938</b>	<b>138,048,406</b>	<b>138,067,344</b>
Amortization		25,530,833	25,530,833
Bad Debts		463,243	463,243
Base Labor	49	33,231,543	33,231,593
Capitalized Interest		2	2
Consultants		16,257,215	16,257,215
Contractors		9,836,659	9,836,659
Depreciation		4,586,759	4,586,759
Employee Expenses	10,552	951,753	962,305
External Interest		(1,307,191)	(1,307,191)
Internal Interest	-	(71)	(71)
Materials		62,547	62,547
Other Employee Benefit	(38)	17,905,399	17,905,361
Other Expenses	8,374	26,746,462	26,754,836
Other Taxes		(812,757)	(812,757)
Overtime		1,442,953	1,442,953
Pension and OPEB		2,320,635	2,320,635
Property Taxes		18,151	18,151
Remeasurement		778,255	778,255
Transportation		36,016	36,016
<b>Nantucket Electric Co</b>	<b>214</b>	<b>1,614,945</b>	<b>1,615,159</b>
Amortization		308,787	308,787
Bad Debts		5,056	5,056
Base Labor	1	384,905	384,905
Capitalized Interest		0	0
Consultants		191,376	191,376
Contractors		116,992	116,992
Depreciation		50,443	50,443
Employee Expenses	121	10,795	10,916
External Interest		(16,430)	(16,430)
Internal Interest	-	(1)	(1)
Materials		709	709
Other Employee Benefit	(0)	207,113	207,113
Other Expenses	93	314,783	314,877
Other Taxes		(10,357)	(10,357)
Overtime		14,544	14,544
Pension and OPEB		26,662	26,662
Property Taxes		233	233
Remeasurement		8,929	8,929
Transportation		405	405
<b>Narragansett Electric Co</b>	<b>11,677</b>	<b>86,123,221</b>	<b>86,134,897</b>
Amortization		13,877,564	13,877,564
Bad Debts		279,546	279,546
Base Labor	74	22,080,842	22,080,916
Capitalized Interest		1	1
Consultants		9,939,612	9,939,612
Contractors		6,223,735	6,223,735
Depreciation		2,729,255	2,729,255
Employee Expenses	6,465	734,072	740,537
External Interest		(827,251)	(827,251)
Internal Interest	-	(39)	(39)
Materials		75,829	75,829
Other Employee Benefit	(4)	11,762,915	11,762,911
Other Expenses	5,089	16,272,634	16,277,723
Other Taxes		19,283	19,283
Overtime	35	859,686	859,721
Pension and OPEB	16	1,558,040	1,558,056
Property Taxes		17,260	17,260
Remeasurement		477,381	477,381
Transportation		42,857	42,857
<b>National Grid USA Parent</b>	<b>361</b>	<b>901,831</b>	<b>902,192</b>
Amortization		311,064	311,064
Bad Debts		5,718	5,718
Base Labor	19	364,728	364,747
Capitalized Interest		0	0
Consultants		(7,519)	(7,519)
Contractors		136,181	136,181
Depreciation		81,698	81,698
Employee Expenses	202	12,986	13,188
External Interest		(44,380)	(44,380)
Internal Interest	-	5,344	5,344
Materials		(698,733)	(698,733)
Other Employee Benefit	6	237,318	237,324
Other Expenses	130	429,752	429,882
Other Taxes		564	564
Overtime	1	26,500	26,501

Appendix 1  
2021 IASC Itemization and Quantification

Pension and OPEB	4	24,364	24,368
Remeasurement		15,287	15,287
Transportation		959	959
<b>NE Electric Trans Corp</b>	<b>-</b>	<b>12,467</b>	<b>12,467</b>
Amortization		23	23
Base Labor		5,402	5,402
Consultants		14	14
Contractors		2,901	2,901
Employee Expenses		4	4
Internal Interest	-	-	-
Materials		4	4
Other Employee Benefit		2,333	2,333
Other Expenses		1,384	1,384
Overtime		0	0
Pension and OPEB		402	402
Transportation		1	1
<b>NE Hydro-Trans Corp</b>	<b>102</b>	<b>855,468</b>	<b>855,570</b>
Amortization		83,242	83,242
Bad Debts		2,500	2,500
Base Labor	0	262,708	262,709
Capitalized Interest		0	0
Consultants		73,575	73,575
Contractors		108,165	108,165
Depreciation		21,322	21,322
Employee Expenses	57	4,232	4,289
External Interest		(7,050)	(7,050)
Internal Interest	-	(0)	(0)
Materials		393	393
Other Employee Benefit	(0)	133,584	133,584
Other Expenses	45	142,657	142,703
Other Taxes		170	170
Overtime		6,755	6,755
Pension and OPEB		18,880	18,880
Remeasurement		4,200	4,200
Transportation		133	133
<b>NE Hydro-Trans Elec Co</b>	<b>142</b>	<b>1,309,349</b>	<b>1,309,492</b>
Amortization		122,246	122,246
Bad Debts		3,208	3,208
Base Labor	0	422,465	422,466
Capitalized Interest		0	0
Consultants		96,711	96,711
Contractors		166,204	166,204
Depreciation		31,159	31,159
Employee Expenses	81	5,387	5,468
External Interest		(12,306)	(12,306)
Internal Interest	-	(0)	(0)
Materials		587	587
Other Employee Benefit	(0)	211,776	211,776
Other Expenses	61	215,130	215,191
Other Taxes		239	239
Overtime		9,944	9,944
Pension and OPEB		30,358	30,358
Remeasurement		6,044	6,044
Transportation		197	197
<b>New England Power Company</b>	<b>4,773</b>	<b>41,479,346</b>	<b>41,484,119</b>
Amortization		4,392,306	4,392,306
Bad Debts		116,773	116,773
Base Labor	12	14,091,979	14,091,991
Capitalized Interest		1	1
Consultants		4,227,524	4,227,524
Contractors		2,391,650	2,391,650
Depreciation		1,109,404	1,109,404
Employee Expenses	2,659	471,199	473,859
External Interest		(329,215)	(329,215)
Internal Interest	-	(18)	(18)
Materials		22,335	22,335
Other Employee Benefit	(9)	7,033,076	7,033,067
Other Expenses	2,111	6,336,807	6,338,918
Other Taxes		7,954	7,954
Overtime		316,093	316,093
Pension and OPEB		1,015,665	1,015,665
Property Taxes		20,536	20,536
Remeasurement		196,125	196,125
Transportation		59,153	59,153
<b>NG Development Holdings</b>	<b>996</b>	<b>3,846,914</b>	<b>3,847,911</b>
Amortization		632,255	632,255
Bad Debts		31,119	31,119
Base Labor	2	728,324	728,327
Capitalized Interest		0	0
Consultants		574,760	574,760

Appendix 1  
2021 IASC Itemization and Quantification

Contractors		286,552	286,552
Depreciation		173,728	173,728
Employee Expenses	507	38,063	38,570
External Interest		(8,386)	(8,386)
Internal Interest	-	2	2
Materials		828	828
Other Employee Benefit	(2)	465,914	465,913
Other Expenses	489	782,297	782,785
Other Taxes		1,630	1,630
Overtime		52,982	52,982
Pension and OPEB		49,602	49,602
Remeasurement		36,307	36,307
Transportation		937	937
<b>NG Generation LLC</b>	<b>17,410</b>	<b>24,028,715</b>	<b>24,046,125</b>
Amortization		2,669,326	2,669,326
Bad Debts		80,291	80,291
Base Labor	150	4,876,869	4,877,019
Capitalized Interest		0	0
Consultants		3,012,945	3,012,945
Contractors		1,677,526	1,677,526
Depreciation	13,858	1,147,959	1,161,817
Employee Expenses	1,856	164,876	166,732
External Interest		(236,507)	(236,507)
Internal Interest	-	(11)	(11)
Materials		23,682	23,682
Other Employee Benefit	44	2,756,032	2,756,076
Other Expenses	1,461	6,545,065	6,546,526
Other Taxes		5,536	5,536
Overtime	11	221,292	221,303
Pension and OPEB	30	341,524	341,554
Property Taxes		596,787	596,787
Remeasurement		137,039	137,039
Transportation		8,485	8,485
<b>NG Glenwood Energy Center</b>	<b>89</b>	<b>577,353</b>	<b>577,442</b>
Amortization		64,284	64,284
Bad Debts		2,000	2,000
Base Labor	4	109,509	109,513
Capitalized Interest		0	0
Consultants		74,520	74,520
Contractors		37,347	37,347
Depreciation	2	24,844	24,846
Employee Expenses	46	3,858	3,904
External Interest		(5,621)	(5,621)
Internal Interest	-	(0)	(0)
Materials		245	245
Other Employee Benefit	1	63,194	63,195
Other Expenses	36	170,981	171,018
Other Taxes		136	136
Overtime	0	5,401	5,402
Pension and OPEB	1	7,634	7,635
Property Taxes		15,450	15,450
Remeasurement		3,360	3,360
Transportation		209	209
<b>NG LNG LP RegulatedEntity</b>	<b>297</b>	<b>1,535,691</b>	<b>1,535,988</b>
Amortization		224,302	224,302
Bad Debts		7,641	7,641
Base Labor	1	309,055	309,056
Capitalized Interest		0	0
Consultants		169,418	169,418
Contractors		244,414	244,414
Depreciation		60,090	60,090
Employee Expenses	163	11,988	12,151
External Interest		(17,195)	(17,195)
Internal Interest	-	1	1
Materials		678	678
Other Employee Benefit	(1)	189,104	189,104
Other Expenses	134	283,267	283,401
Other Taxes		494	494
Overtime		18,929	18,929
Pension and OPEB		21,202	21,202
Remeasurement		11,959	11,959
Transportation		345	345
<b>NG PortJeff Energy Center</b>	<b>100</b>	<b>649,918</b>	<b>650,017</b>
Amortization		73,994	73,994
Bad Debts		2,153	2,153
Base Labor	4	123,118	123,122
Capitalized Interest		0	0
Consultants		85,198	85,198
Contractors		42,223	42,223
Depreciation	2	27,912	27,913

Appendix 1  
2021 IASC Itemization and Quantification

Employee Expenses	52	4,295	4,347
External Interest		(7,137)	(7,137)
Internal Interest	-	(0)	(0)
Materials		299	299
Other Employee Benefit	1	71,551	71,552
Other Expenses	40	191,237	191,277
Other Taxes		153	153
Overtime	0	6,238	6,239
Pension and OPEB	1	8,558	8,559
Property Taxes		16,059	16,059
Remeasurement		3,835	3,835
Transportation		233	233
<b>NG Services, Inc.</b>	<b>186</b>	<b>878,820</b>	<b>879,006</b>
Amortization		143,013	143,013
Bad Debts		3,861	3,861
Base Labor	9	172,363	172,372
Capitalized Interest		0	0
Consultants		144,740	144,740
Contractors		64,135	64,135
Depreciation		38,284	38,284
Employee Expenses	99	6,753	6,852
External Interest		(15,233)	(15,233)
Internal Interest	-	0	0
Materials		617	617
Other Employee Benefit	3	110,529	110,532
Other Expenses	74	177,948	178,022
Other Taxes		290	290
Overtime	1	12,125	12,126
Pension and OPEB	2	11,628	11,630
Remeasurement		7,359	7,359
Transportation		407	407
<b>Niagara Mohawk Power Corp</b>	<b>28,185</b>	<b>209,550,337</b>	<b>209,578,523</b>
Amortization		36,232,816	36,232,816
Bad Debts		692,443	692,443
Base Labor	138	48,753,869	48,754,008
Capitalized Interest		3	3
Consultants		25,308,172	25,308,172
Contractors		15,424,367	15,424,367
Depreciation		6,467,933	6,467,933
Employee Expenses	15,561	1,785,274	1,800,836
External Interest		(1,870,670)	(1,870,670)
Internal Interest	-	(282)	(282)
Materials		113,096	113,096
Other Employee Benefit	(28)	26,379,251	26,379,223
Other Expenses	12,440	43,776,401	43,788,842
Other Taxes		46,663	46,663
Overtime	50	1,852,690	1,852,740
Pension and OPEB	23	3,408,178	3,408,202
Remeasurement		1,146,591	1,146,591
Transportation		33,540	33,540
<b>PSEG Electric Serv TSA Co</b>		<b>(376)</b>	<b>(376)</b>
Base Labor		(289)	(289)
Employee Expenses		4	4
Other Employee Benefit		(96)	(96)
Other Expenses		21	21
Pension and OPEB		(16)	(16)
<b>Transgas Inc</b>	<b>61</b>	<b>326,043</b>	<b>326,104</b>
Amortization		53,389	53,389
Bad Debts		1,208	1,208
Base Labor	0	63,854	63,854
Capitalized Interest		0	0
Consultants		54,224	54,224
Contractors		23,870	23,870
Depreciation		14,101	14,101
Employee Expenses	36	2,351	2,387
External Interest		(6,666)	(6,666)
Internal Interest	-	0	0
Materials		229	229
Other Employee Benefit	(0)	41,193	41,193
Other Expenses	25	66,590	66,615
Other Taxes		102	102
Overtime		4,537	4,537
Pension and OPEB		4,293	4,293
Remeasurement		2,685	2,685
Transportation		85	85
<b>Grand Total</b>	<b>188,424</b>	<b>760,146,735</b>	<b>760,335,159</b>



## Appendix 2

### IASC 2021 Stranded Cost Analysis

	2021 Actuals			NECO Costs Not Mitigated			NECO Fully Mitigated		
	NG Engineering Srvcs, LLC	NGUSA Service Company	Grand Total	NG Engineering Srvcs, LLC	NGUSA Service Company	Grand Total	NG Engineering Srvcs, LLC	NGUSA Service Company	Grand Total
Row Labels									
Boston Gas Company	9,293	71,554,573	71,563,867	9,907	80,697,445	80,707,352	9,293	71,554,573	71,563,867
Boston Gas-Colonial Div	2,099	16,132,518	16,134,617	2,238	18,193,847	18,196,085	2,099	16,132,518	16,134,617
Brooklyn Union Gas-KEDNY	15,700	100,725,111	100,740,811	16,738	113,595,242	113,611,980	15,700	100,725,111	100,740,811
KS Gas East Corp-KEDLI	77,798	59,996,085	60,073,884	82,938	67,662,073	67,745,011	77,798	59,996,085	60,073,884
Massachusetts Electric Co	18,938	138,048,406	138,067,344	20,189	155,687,513	155,707,702	18,938	138,048,406	138,067,344
Nantucket Electric Co	214	1,614,945	1,615,159	228	1,821,294	1,821,523	214	1,614,945	1,615,159
Narragansett Electric Co	11,677	86,123,221	86,134,897	-	-	-	-	-	-
National Grid USA Parent	361	901,831	902,192	385	1,017,062	1,017,447	361	901,831	902,192
NE Electric Trans Corp	-	12,467	12,467	-	14,060	14,060	-	12,467	12,467
NE Hydro-Trans Corp	102	855,468	855,570	109	964,775	964,884	102	855,468	855,570
NE Hydro-Trans Elec Co	142	1,309,349	1,309,492	152	1,476,651	1,476,803	142	1,309,349	1,309,492
New England Power Company	4,773	41,479,346	41,484,119	5,088	46,779,361	46,784,449	4,773	41,479,346	41,484,119
NG Development Holdings	996	3,846,914	3,847,911	1,062	4,338,453	4,339,515	996	3,846,914	3,847,911
NG Generation LLC	17,410	24,028,715	24,046,125	18,560	27,098,979	27,117,539	17,410	24,028,715	24,046,125
NG Glenwood Energy Center	89	577,353	577,442	95	651,124	651,219	89	577,353	577,442
NG LNG LP RegulatedEntity	297	1,535,691	1,535,988	317	1,731,914	1,732,230	297	1,535,691	1,535,988
NG Portleff Energy Center	100	649,918	650,017	106	732,961	733,067	100	649,918	650,017
NG Services, Inc.	186	878,820	879,006	199	991,111	991,310	186	878,820	879,006
Niagara Mohawk Power Corp	28,185	209,550,337	209,578,523	30,048	236,325,590	236,355,638	28,185	209,550,337	209,578,523
PSEG Electric Serv TSA Co		(376)	(376)	-	(424)	(424)	-	(376)	(376)
Transgas Inc	61	326,043	326,104	65	367,703	367,768	61	326,043	326,104
Grand Total	\$ 188,424	\$ 760,146,735	\$ 760,335,159	\$ 188,424	\$ 760,146,735	\$ 760,335,159	\$ 176,747	\$ 674,023,514	\$ 674,200,261
Allocation:		NECO %	11.3%	Allocation:	NECO %	0.00%	Allocation:	NECO %	0.00%
		MA %	29.9%		MA %	33.73%		MA %	33.73%
		NY/All other %	58.8%		NY/All other %	66.27%		NY/All other %	66.27%
Total MA Share @ 29.9%	\$ 227,380,987			Total MA Share @33.73%, no mitigation	\$ 256,432,662			Total MA Share @ 33.73%, full mitigation	\$ 227,380,987
				MA Impact w/o Mitigation	\$ 29,051,675				

National Grid Massachusetts  
Electric & Gas Reconciling Mechanisms  
As of March 2022

Appendix 3  
MA Reconciling Mechanisms List

*Note: This table reflects the reconciling nature of the mechanism. In some instances concurrent cost recovery is trued up to actual costs and revenue while in other instances costs must first be incurred and recovered over a following period.*

Electric		
<b>Commodity – Basic Service</b>	Brief Description of Mechanism	Payments to wholesale suppliers of electricity vs. revenue from billing to customers on POLR service
	Applicable Tariff Provision	Basic Service Adjustment Provision, M.D.P.U. No. 1457
	Reconciliation Period	Annual: October – September
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1
<b>Commodity Admin Costs</b>	Brief Description of Mechanism	Commodity-related net charge offs on an estimated basis, trued up to actual plus administrative costs charged to MECO (predominantly working capital at a fixed percentage from the most recent rate case plus labor and associated overheads) vs. revenue from billing to all Basic Service customers via Basic Service Administrative Cost Factor
	Applicable Tariff Provision	Basic Service Adjustment Provision, M.D.P.U. No. 1457
	Reconciliation Period	Annual: January – December
	Frequency/Timing of Filing	Annually by March 15
	Recovery Effective	May 1
<b>Renewable Portfolio Standards</b>	Brief Description of Mechanism	Payments to sellers of Renewable Energy Certificates and for Alternative Compliance Payments vs. revenue billed from customers via the RPS adder in Basic Service rates
	Applicable Tariff Provision	Basic Service Adjustment Provision, M.D.P.U. No. 1457
	Reconciliation Period	Annual: October – September
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1
<b>Transmission</b>	Brief Description of Mechanism	Payments to providers of transmission service vs. revenue from billing to retail customers receiving transmission service
	Applicable Tariff Provision	Transmission Service Cost Adjustment Provision, M.D.P.U. No. 1225
	Reconciliation Period	Annual: October – September
	Frequency/Timing of Filing	Annually by January 15

National Grid Massachusetts  
Electric & Gas Reconciling Mechanisms  
As of March 2022

Appendix 3  
MA Reconciling Mechanisms List

*Note: This table reflects the reconciling nature of the mechanism. In some instances concurrent cost recovery is trued up to actual costs and revenue while in other instances costs must first be incurred and recovered over a following period.*

Electric		
	Recovery Effective	March 1
Stranded Cost	Brief Description of Mechanism	Payments to New England Power Company for CTC vs. revenue from billing to all retail delivery service customers
	Applicable Tariff Provision	Transition Cost Adjustment Provision, M.D.P.U. No. 1169
	Reconciliation Period	Annual: October – September
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1
Revenue Decoupling	Brief Description of Mechanism	Revenue requirement from rate case vs. revenue from billing to all retail delivery service customers via distribution charges and associated factors/credits
	Applicable Tariff Provision	Revenue Decoupling Mechanism Provision, M.D.P.U. No. 1463
	Reconciliation Period	Annually: January – December
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1
Energy Efficiency	Brief Description of Mechanism	Estimated (with later true up) of EE program costs not funded by external sources (statutory SBC, FCM revenue) vs. revenue from billing to all retail delivery service customers via the Energy Efficiency Reconciliation Factor
	Applicable Tariff Provision	Energy Efficiency Provision, M.D.P.U. No. 1444
	Reconciliation Period	Annual: January – December
	Frequency/Timing of Filing	Annually by March 1
	Recovery Effective	May 1
Pension/PBOP	Brief Description of Mechanism	Actuarial forecast of annual expense, subject to reconciliation to actual annual expense, excluding Energy Efficiency related expense which is recovered in Energy Efficiency reconciling mechanism, plus/minus carrying charge on pre- or under-funding of plans vs. revenue from billing to all retail delivery service customers.

National Grid Massachusetts  
Electric & Gas Reconciling Mechanisms  
As of March 2022

Appendix 3  
MA Reconciling Mechanisms List

*Note: This table reflects the reconciling nature of the mechanism. In some instances concurrent cost recovery is trued up to actual costs and revenue while in other instances costs must first be incurred and recovered over a following period.*

Electric		
	Applicable Tariff Provision	Pension/PBOP Adjustment Mechanism Provision, M.D.P.U. No. 1439
	Reconciliation Period	Annual: October – September
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1
Service Quality	Brief Description of Mechanism	Service Quality penalties to be credited to customers as a result of the Service Quality Plan via revenue from billings to all customers via the Service Quality Credit Factor
	Applicable Tariff Provision	Service Quality Penalty Provision, M.D.P.U. No. 1230
	Reconciliation Period	Applicable period over which penalty is credited to customers
	Frequency/Timing of Filing	As needed
	Recovery Effective	As needed
Capital Investment Recovery (final year: 2019 investment)	Brief Description of Mechanism	CapEx “tracker” provides for recovery of the revenue requirement beginning with the calendar year after the year of investment on incremental capital investment based on a cap of \$249 million, with revenue requirement reconciled against revenue from billings to all customers via Net CapEx Factors.
	Applicable Tariff Provision	Capital Investment Recovery Provision, M.D.P.U. No. 1417
	Reconciliation Period	Annual: January – December
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1
Residential Assistance	Brief Description of Mechanism	Prospective recovery with subsequent true up of discounts provided to customers receiving service on low income rate, with discount equal to 32% of total bill, plus arrears forgiven under the Arrearage Management Plan, less payments received on hardship protected accounts receivable older than 360 days at June 30, 2015 and December 17, 2017, for which cash recovery through base distribution rates began October 1, 2016 and October 1, 2019, respectively

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*Note: This table reflects the reconciling nature of the mechanism. In some instances concurrent cost recovery is trued up to actual costs and revenue while in other instances costs must first be incurred and recovered over a following period.*

Electric		
	Applicable Tariff Provision	Residential Assistance Adjustment Provision, M.D.P.U. No. 1413
	Reconciliation Period	Annual: October – September
	Frequency/Timing of Filing	Annually by January 1
	Recovery Effective	March 1
<b>Long Term Renewable Energy Contracts</b>	Brief Description of Mechanism	Recoverable cost of payments under long term renewable contracts on a prospective basis, subject to full reconciliation at which time remuneration is included for recovery at 2.75% on contract payments
	Applicable Tariff Provision	Renewable Energy Recovery Provision, M.D.P.U. No. 1361
	Reconciliation Period	Annual: November – October
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1
<b>Net Metering</b>	Brief Description of Mechanism	Recoverable Net Metering Credits plus the value of displace energy vs. revenue from billings to all customers pursuant to the Net Metering Recovery Surcharge. The value of displaced energy is recovered through the RDM reconciliation as well as the other reconciling mechanisms included herein. Net Metering Credits paid for exported generation are recovered through the Net Metering Recovery Surcharge (NMRS). The amount approved for recovery through the NMRS is subject to reconciliation against actual billed revenue.
	Applicable Tariff Provision	Net Metering Provision, M.D.P.U. No. 1446
	Reconciliation Period	Annual: October – September
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1
<b>Solar Investment</b>	Brief Description of Mechanism	Recovery of the revenue requirement, including O&M costs, of MECO's and Nantucket's investment in solar generation as allowed by statute, reconciled to actual revenue billed via the Solar Cost Adjustment Factors

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*Note: This table reflects the reconciling nature of the mechanism. In some instances concurrent cost recovery is trued up to actual costs and revenue while in other instances costs must first be incurred and recovered over a following period.*

Electric		
	Applicable Tariff Provision	Solar Cost Adjustment Provision, M.D.P.U. No. 1474
	Reconciliation Period	Annual: January – December
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1
Smart Grid Pilot	Brief Description of Mechanism	Recovery of actual costs of capital and expense associated with the deployment, operation, and evaluation of MECO's Smart Energy Solutions Program in Worcester, pursuant to statute
	Applicable Tariff Provision	Smart Grid Adjustment Provision, M.D.P.U. No. 1442 Tariff for Basic Service, M.D.P.U. No. 1443
	Reconciliation Period	Annual: October – September
	Frequency/Timing of Filing	Annually by March 15
	Recovery Effective	May 1
Undersea Cable Investment	Brief Description of Mechanism	Recovery of revenue requirement of Nantucket's investment in its second undersea cable constructed to serve customers on the Island of Nantucket via Cable Facility Surcharge rates
	Applicable Tariff Provision	Cable Facilities Surcharge Provision, M.D.P.U. No. 631
	Reconciliation Period	Annual: January – December, but currently billing fixed CFS rates over multiple years to promote rate and bill stability
	Frequency/Timing of Filing	Annually by December 1, but under current fixed CFS rates, annual reports are filed by March 1
	Recovery Effective	January 1
Attorney General Consultant Costs	Brief Description of Mechanism	Recovery of consultants hired by the Attorney General, as approved by the DPU, in MECO's and Nantucket's cases before the DPU
	Applicable Tariff Provision	Attorney General Consultant Expenses Provision, M.D.P.U. No. 1437
	Reconciliation Period	Annual: October – September
	Frequency/Timing of Filing	Annually by January 15
	Recovery Effective	March 1

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Electric		
<b>Purchase of Receivables</b>	Brief Description of Mechanism	This is not a reconciling mechanism in the traditional sense of the term in that costs are passed through to customers. This mechanism ensures the discount rate at which MECO and Nantucket purchase the account receivable of Competitive Suppliers is reflective of actual costs such that the companies do not take on additional bad debt risk of the Purchase of Receivables program.
	Applicable Tariff Provision	Terms and Conditions for Competitive Suppliers, M.D.P.U. No. 1420 Terms and Conditions for Municipal Aggregators, M.D.P.U. No. 1421
	Reconciliation Period	Annual: January - December
	Frequency/Timing of Filing	Annually by March 15
	Recovery Effective	May 1
<b>Grid Modernization</b>	Brief Description of Mechanism	Provides for the recovery of <u>incremental</u> costs associated with the Company's Grid Modernization Plan ("GMP"). To be eligible for recovery, GMP costs must be: (1) preauthorized by the Department; (2) incremental relative to the Company's current investment practices or new types of technology for capital investments; (3) incremental to those costs that the Company currently recovers through its base distribution rates for operation and maintenance ("O&M") expenses and solely attributable to preauthorized grid modernization investments; and (4) prudently incurred. GMP recovery shall span two 3-year preauthorization terms, or six years. Afterwards, GMP spending is considered typical electric infrastructure spending to be recovered through base distribution rates. Recoverable revenue requirement is to be based on actual costs incurred, resulting in the Company first incurring the costs in one year and recovering it beginning in the following year.
	Applicable Tariff Provision	Grid Modernization Provision, M.D.P.U. No. 1469
	Reconciliation Period	Annual: January - December

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Electric		
	Frequency/Timing of Filing	Annually by March 15
	Recovery Effective	May 1
<b>Electric Vehicle Market Development Program (Phase I &amp; II)</b>	Brief Description of Mechanism	<p>Recovery of <u>incremental</u> costs associated with the Company's (1) Electric Vehicle Market Development Program approved in D.P.U. 17-13 ("Phase I EV Program") and (2) Phase II Electric Vehicle Program approved in D.P.U. 18-150 ("Phase II EV Program") (together, "EV Programs"). The EV Programs collectively include Company facilitation of electric vehicle service equipment ("EVSE," also referred to as EV charging station) installations; a Marketing and Communications ("M&amp;C") Plan, an Evaluation Plan, and a Research and Development ("R&amp;D") Plan associated with the Phase I EV Program; and a residential Off-Peak Charging Rebate Program, a Fleet Advisory Services Plan, and an R&amp;D Plan associated with the Phase II EV Program.</p> <p>The DPU directed that the EV Program Factor be excluded from the calculation of Net Metering Credits on energy exported onto the distribution system by a customer having distributed generation.</p>
	Applicable Tariff Provision	Electric Vehicle Program Provision, M.D.P.U. No. 1447
	Reconciliation Period	Annual: January - December
	Frequency/Timing of Filing	Annually by May 15
	Recovery Effective	July 1
<b>Tax Act Credit</b>	Brief Description of Mechanism	Credits customers the benefit of the reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018 pursuant to the Tax Cuts and Jobs Act of 2017.
	Applicable Tariff Provision	Tax Credit Provision, M.D.P.U. No. 1410
	Reconciliation Period	Annual: January - December
	Frequency/Timing of Filing	Annually by January 15



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Electric		
	Recovery Effective	March 1
<b>Vegetation Management Pilot</b>	Brief Description of Mechanism	Provides for the recovery of incremental costs associated with the Company's Enhanced Vegetation Management Pilot ("VM Pilot"), which has a term of four years commencing April 1, 2019. The VM Pilot is to further preventative actions that will improve distribution system resiliency, reduce storm restoration costs, preserve critical municipal infrastructure during emergency events, and increase circuit reliability both on blue sky days and during storm events. Activities consist of (1) targeted circuits with a history of tree-related weather events, (2) expanded maximum side clearance on distribution circuits from 6 feet to 8 feet and top clearance from 10 feet to 15 feet in urban/residential areas and from 15 feet to 20 feet in rural areas, and (3) hazard tree/risk tree removal. The Company is to file annually for the recovery of actual incremental VM O&M expense incurred.
	Applicable Tariff Provision	Vegetation Management Pilot Provision, M.D.P.U. No. 1435
	Reconciliation Period	Annual: January - December
	Frequency/Timing of Filing	Annually by December 1
	Recovery Effective	March 1

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Electric		
<b>Solar Massachusetts Renewable Target (SMART) Program</b>	Brief Description of Mechanism	<p>A tariff-based program developed and implemented by the DOER to compensate solar units for their environmental attributes associated with newly installed solar generation, with the program beginning November 26, 2018. SMART is the successor program to SCREC II. Costs eligible for recovery include Incentive Payments (compensation for environmental attributes), value of energy for stand-alone solar units, and <u>incremental</u> capital and O&amp;M costs to implement and operate the program. Recovery of Incentive Payments is allowed on a prospective basis subject to actual experience, and remaining costs are recoverable after incurred, resulting in the Company first incurring the costs in one year and recovering it beginning in the following year.</p> <p>The DPU directed that the SMART Factor be excluded from the calculation of Net Metering Credits on energy exported onto the distribution system by a customer having distributed generation.</p>
	Applicable Tariff Provision	SMART Provision, M.D.P.U. No. 1475
	Reconciliation Period	Annual: January - December
	Frequency/Timing of Filing	Annually by November 1
	Recovery Effective	January 1
<b>Performance-Based Ratemaking Plan</b>	Brief Description of Mechanism	<p>The Performance-Based Ratemaking (“PBR”) Plan consists of a PBR Mechanism (or “PBRM”) that allows an annual adjustment to the Company’s base distribution rates. The PBRM includes three components that provide for an annual adjustment to rates. The three components of the PBRM are: (1) an annual adjustment to base distribution rates based on a revenue-cap formula using GDPPI less offsets for productivity and a consumer dividend (“PBR Adjustment”), (2) an earnings sharing mechanism, and (3) an exogenous event factor</p>

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Electric		
		<p>for costs and cost reductions that are beyond the control of the Company and are not reflected in the GDPPI.</p> <p>On a transitional basis, the annual adjustment taking effect under the PBR Plan through the PBRM will be accompanied by a separate adjustment to base distribution rates that recovers the revenue requirement on all incremental capital investment recorded as “in-service” during the period January 2018 through December 2019.</p>
	Applicable Tariff Provision	Performance-Based Ratemaking Provision, M.D.P.U. No. 1423
	Reconciliation Period	Annual: October - September
	Frequency/Timing of Filing	Annually by June 15
	Recovery Effective	October 1

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Gas		
<b>Commodity – Gas Adjustment Factor</b>	Brief Description of Mechanism	Payments to suppliers of gas, upstream gas pipelines, hedging gains and losses, gas working capital costs, credits from off-system sales and capacity releases, revenue from non-firm sales customers, revenue from Marketers for balancing, cash-outs and penalties, production and storage costs, gas acquisition costs, and pipeline refunds vs. revenue from billing to firm sales customers.
	Applicable Tariff Provision	M.D.P.U. No. 59, Cost of Gas Tariff (“CGA”)
	Reconciliation Period	Semi-Annual: November – April and May – October
	Frequency/Timing of Filing	Semi-Annually by September 15 and March 15
	Recovery Effective	November 1 and May 1
<b>Commodity Bad Debt</b>	Brief Description of Mechanism	Commodity-related net charge offs on an estimated basis, trued up to actual plus working capital vs. revenue from billing to all Sales customers via the GAFs
	Applicable Tariff Provision	M.D.P.U. No 59, Cost of Gas Tariff (“CGA”)
	Reconciliation Period	Semi-Annual: November – April and May – October
	Frequency/Timing of Filing	Semi-Annually by September 15 and March 15
	Recovery Effective	November 1 and May 1
<b>Balancing Penalty Revenues</b>	Brief Description of Mechanism	Balancing penalties resulting from over/under deliveries penalties assessed to third party marketers to be credited to customers via revenue from billings to all customers
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause (“LDAC”)
	Reconciliation Period	Annual: November – October
	Frequency/Timing of Filing	Annually by August 1 and updated by September 15
	Recovery Effective	November 1
<b>Revenue Decoupling</b>	Brief Description of Mechanism	Revenue per customer (RPC) benchmark established in rate case vs actual revenue per customer multiplied by actual number of eligible customers (excluding new customers after December 31, 2016)

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Gas		
	Applicable Tariff Provision	M.D.P.U. No. 62.1, Revenue Decoupling Adjustment Clause ("RDAC")
	Reconciliation Period	Semi-Annual: November – April and May – October
	Frequency/Timing of Filing	Semi-Annually by August 1 and February 1
	Recovery Effective	November 1 and May 1
Residential Assistance	Brief Description of Mechanism	Prospective recovery with subsequent true up of discounts provided to customers receiving service on low income rate, with discount equal to 25% of total bill, plus arrears forgiven under the Arrearage Management Plan, less payments received on hardship protected accounts receivable older than 360 days at December 31, 2016 and March 31, 2020, for which cash recovery through base distribution rates began October 1, 2018 and October 1, 2021, respectively
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause ("LDAC")
	Reconciliation Period	Annual: November – October
	Frequency/Timing of Filing	Annually by August 1 and updated, if needed, by September 15
	Recovery Effective	November 1
Energy Efficiency	Brief Description of Mechanism	Estimated (with later true up) of EE program costs vs. revenue from billing to all eligible customers via the Energy Efficiency Surcharge
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause ("LDAC")
	Reconciliation Period	Annual: January – December
	Frequency/Timing of Filing	Annually by August 1 and updated, if needed, by September 15
	Recovery Effective	November 1
Pension/PBOP	Brief Description of Mechanism	Actuarial forecast of annual expense, subject to reconciliation to actual annual expense, excluding Energy Efficiency related expense which is recovered in Energy Efficiency reconciling mechanism, plus/minus carrying charge on pre- or under-funding of plans vs. revenue from billing to all firm customers

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Gas		
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause (“LDAC”)
	Reconciliation Period	Annual: November – October
	Frequency/Timing of Filing	Annually by August 1
	Recovery Effective	November 1
Service Quality	Brief Description of Mechanism	Service Quality penalties to be credited to customers as a result of the Service Quality Plan via revenue from billings to all customers
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause (“LDAC”)
	Reconciliation Period	Annual: November – October
	Frequency/Timing of Filing	Annual SQI reports filed in March Refund, if required, filed annually by August 1
Environmental	Recovery Effective	November 1
	Brief Description of Mechanism	Amortized environmental costs vs revenue from billings to firm customers
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause (“LDAC”)
	Reconciliation Period	Annual: November – October
Gas System Enhancement Program	Frequency/Timing of Filing	Annually by August 1
	Recovery Effective	November 1
	Brief Description of Mechanism	GSEP provides for prospective recovery, with a true up to actual, of forecasted investment beginning in CY 2017 associated with the replacement of leap prone pipe, per statute, with annual changes in recovery capped at 3.0% of total revenue, with requested recovery filed October 31 for the upcoming year of investment
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause (“LDAC”)
	Reconciliation Period	Annual: January – December
	Frequency/Timing of Filing	Annually by October 31 and reconciling filing submitted by May 1
	Recovery Effective	May 1 for prospective recovery, November 1 for reconciliation recovery

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Gas		
<b>Attorney General Consultant Costs</b>	Brief Description of Mechanism	Recovery of consultants hired by the Attorney General, as approved by the DPU, in Boston and Colonial cases before the DPU
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause (“LDAC”)
	Reconciliation Period	Annual: November – October
	Frequency/Timing of Filing	Annually by August 1
	Recovery Effective	November 1
<b>Gas Business Enablement Costs</b>	Brief Description of Mechanism	Actual annual O&M expense incurred by the Company plus actual rent expense billed by NG Service Company to the Company, the sum of which is in excess of the amount recovered in base distribution rates
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause (“LDAC”)
	Reconciliation Period	Annual: November – October
	Frequency/Timing of Filing	Annually by August 1
	Recovery Effective	November 1
<b>Geothermal District Energy Demonstration Program Costs</b>	Brief Description of Mechanism	Recovery of the revenue requirement, including O&M costs, net of participant fees, of Boston Gas’s investment in ground source heat pumps and related equipment associated with its Geothermal District Energy Demonstration Program as approved by the Department, reconciled to actual revenue billed via Geothermal Energy Provision Factors
	Applicable Tariff Provision	M.D.P.U. No. 60.1, Local Distribution Adjustment Clause (“LDAC”)
	Reconciliation Period	Annual: January – December
	Frequency/Timing of Filing	Annually by July 1
	Recovery Effective	November 1

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Gas		
<b>Performance-Based Ratemaking Plan</b>	Brief Description of Mechanism	<p>The Performance-Based Ratemaking (“PBR”) Plan consists of a PBR Mechanism (or “PBRM”) that allows an annual adjustment to the Company’s base distribution rates. The PBRM includes three components that provide for an annual adjustment to rates. The three components of the PBRM are: (1) an annual adjustment to base distribution rates based on a revenue-cap formula using GDPPI less offsets for productivity and a consumer dividend (“PBR Adjustment”), (2) an earnings sharing mechanism, and (3) an exogenous event factor for costs and cost reductions that are beyond the control of the Company and are not reflected in the GDPPI.</p> <p>On a transitional basis, the annual adjustment taking effect under the PBR Plan through the PBRM will be accompanied by a separate adjustment to base distribution rates that recovers the revenue requirement on all incremental capital investment recorded as “in-service” during the period April 2020 through December 2020.</p>
	Applicable Tariff Provision	M.D.P.U. No. 93.1, Performance-Based Ratemaking Provision
	Reconciliation Period	Annual: October - September
	Frequency/Timing of Filing	Annually by June 15
	Recovery Effective	October 1