MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

This Performance-Based Ratemaking ("PBR") Provision provides for a PBR Plan consisting of a PBR Mechanism (or "PBRM") that allows an annual adjustment to the Company's base distribution rates pursuant to Sections 1.03, 1.04, 1.05, 1.06, and 1.07.

The PBR Mechanism includes four components that provide for an annual adjustment to rates. The four components of the PBRM are:

(1) An annual adjustment to the core operation and maintenance expense component of Base Distribution Rates based on a formula using a regional labor index of wages and salaries , less offsets for productivity and a consumer dividend ("PBR-O Adjustment").

(2) An Earnings Sharing Mechanism that provides a credit to customers, through a separate factor, for customers' share of earnings above certain thresholds.

(3) An Exogenous Event factor that allows the Company to reflect, either in Base Distribution Rates or through separate factors, costs and cost reductions that are beyond the control of the Company, are not reflected in the annual inflation index or "I" factor as defined below, and, because the Company is subject to a stay-out provision, are deemed appropriate to recover from or credit to customers through the PBR Mechanism.

(4) A Performance Incentive Mechanism.

1.01 Term of PBR Plan

The Base Distribution Rates approved by the Department in the Company's most recently completed base distribution rate case shall remain in effect until the Company's next base distribution rate case. The PBR Plan shall operate for a five-year term starting October 1, 2024. The first annual PBR-O Adjustment pursuant to the PBRM of the PBR Plan shall be effective October 1, 2025. Subsequent annual adjustments shall occur on each October 1. The PBRM shall continue until modified or superseded by the Company's next base distribution rate case or as otherwise directed by the Department.

1.02 Definitions

ATR Allocator is the Annual Target Revenue Allocator derived from the Company's most recent base distribution rate case as approved by the Department and shall be as follows by Rate Class:

Rate R-1/R-2	59.9%
Rate G-1	11.8%
Rate G-2	10.6%
Rate G-3	16.1%
Streetlights	1.6%

Base Distribution Revenue is the distribution revenue approved for recovery through the Company's Rate Schedules as established by the Department in the Company's most recent base distribution rate case, adjusted annually through the PBR-O Adjustment as set forth in Section 1.03.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

Base Distribution Rates are the compilation of Rate Components plus the customer charge for all of the Company's Rate Schedules.

Basis Point shall be one one-hundredth of a percentage point (one basis point = 0.01%).

Common Equity is the average of the beginning year and ending year Rate Base for the calendar year prior to the PBR Year multiplied by the Common Equity percentage approved by the Department in D.P.U. 23-150.

Consumer Dividend is the benefit to consumers of future productivity gains attributable to performance-based ratemaking for the Company's distribution service as established by the Department in D.P.U. 23-150.

DRA is the Distribution Revenue Allocator derived from the Company's most recent base distribution rate case as approved by the Department and shall be as follows by Rate Class:

Rate R-1/R-2	60.6%
Rate G-1	12.0%
Rate G-2	10.7%
Rate G-3	16.3%
Streetlights	0.4%

Exogenous Events are occurrences that have a material impact on the Company and that are beyond the Company's control and are not otherwise reflected in the PBR-O Adjustment.

GDP-PI is the average annual percentage change in the United States Gross Domestic Product - Price Index for the four most recent quarterly reporting periods as of the first quarter of the calendar year in which the Rate Components reflecting the PBR Year's PBR-O Adjustment go into effect. The calculation will be performed based on the most recently available data published by the United States Department of Commerce at the time of the PBR Plan filing.

O&M Base Allowance is the amount approved for recovery in Base Distribution Rates related to operation and maintenance expense, to be adjusted annually by the PBR-O percentage as defined below.

PBR-O Adjustment is the incremental Base Distribution Revenue determined through application of the PBRM in each year.

PBR-O Adjustment Formula is the mathematical expression set forth in Section 1.03 used to calculate the percentage change in Base Distribution Revenue for the PBR Year.

PBR Year is the annual period that the adjusted Base Distribution Rates shall be effective beginning on October 1.

Prior Year is the annual period ending immediately prior to the PBR Year.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

PIMs are the Performance Incentive Mechanisms that allow the Company to earn incentives or penalties for its performance against metrics set forth in this Provision at Appendix A.

Rate Class is the group of customers all taking service pursuant to the same Rate Schedule.

Rate Component is the applicable energy charge, demand charge, or credit reflected in the Company's Summary of Electric Delivery Service Rates tariff in effect from time to time, that recovers a portion of the Company's Base Distribution Revenue as established by the Department in its most recent base distribution rate case.

Return on Average Common Equity is the Earnings Available for Common Equity as reported in the Company's annual Earnings Reports to the Department less amounts as described in Section 1.04, divided by the average of the beginning year and ending year Common Equity for the calendar year prior to the PBR Year as approved by the Department.

X Factor is the O&M productivity factor as established by the Department in D.P.U. 23-150, and computed as the growth rate in the Northeast electricity industry's customer numbers minus the growth in the Northeast electricity distribution industry's "real" (i.e. inflation-adjusted) O&M inputs. The O&M productivity factor of 0.21 percent was computed over the 1998-2022 period.

Z Factor is the sum of the cost impacts of Exogenous Events excluding incremental storm costs for those weather events that cause the Company to incur incremental costs exceeding $30 million.

1.03 PBR-O Adjustment Formula

$BASE\_REV_{(S)T} = BASE\_REV_{(S)T-1} + (PBR\_ADJ_T \text{ x } ATRA_S)$

$PBR\_ADJ_T = (O\&M\ \_PBR\_REV_{T-1} \text{ x } PBR\text{-}O\%) + LIA$

$PBR\text{-}O\% = (I_{T-1} - X - CD) + (Z_{(REV)T} \div PBR\_REV_{T-1})$

$X = 0.21\%$
$CD = 0.40\%$

$I = (ECI \text{ x Labor } O\&M\ \%) + (PPI\text{-}E \text{ x Non-Labor } O\&M\%)$

Where:

s — Designates the Rate Class Base Distribution Revenue for the following rate classes: R-1/R-2, G-1, G-2, G-3, and Streetlighting.

BASE_REV — The Base Distribution Revenue as defined in Section 1.02.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

PBR_ADJ — The PBR Adjustment, which shall be the PBR Year's incremental Base Distribution Revenue consisting of the adjustments associated with the application of the PBR-O%.

LIA — The incremental administrative costs associated with the Company's residential low-income discount rate program, including, but not limited to, incremental labor related costs; system upgrade costs; marketing, education and outreach costs; and costs associated with the self-attestation pilot.

Specifically, with respect to system upgrade costs, the Company may request recovery of up to $1.169 million for actual costs incurred, subject to prudency review of appropriate documentation, to be amortized over the remainder of the PBR Plan term. With respect to annual education and outreach costs, as well as incremental labor related costs, the Company may request recovery of up to $3 million and $1.235 million, respectively, for actual costs incurred to meet the statutory requirement to conduct substantial outreach, subject to prudency review of appropriate documentation, for annual recovery over the remainder of the PBR Plan term. With respect to the directed self-attestation pilot, the Company may request recovery of actual costs incurred, subject to prudency review of appropriate documentation, for annual recovery or amortization as appropriate in PBR-O rate adjustment filing, subsequent to the Department's approval.

O&M_PBR_REV — The O&M PBR Revenue, which shall be the total Base Distribution Revenue allowance for operating and maintenance expenses, payroll taxes other non-income taxes and interest on customer deposits approved by the Department in D.P.U. 23-150, adjusted to exclude (1) $48,420,756 representing the funding allowance for the Company's Storm Contingency Fund, (2) $16,200,000 representing the allowance for deductibles on major storm events, and (3) O&M related to Company-owned solar facilities of $1,972,765, as approved in D.P.U. 23-150, and as adjusted annually by the PBR-O% each October 1. In PBR Year 1, the total approved O&M PBR Revenue subject to PBR-O Adjustment in the subsequent PBR Year is $560,060,250.

ATRA — The Annual Target Revenue Allocator as set forth in Section 1.02.

PBR-O% — The percentage change to be applied to the Prior Year O&M PBR Revenue.

I_{T-1} — Annual Inflation factor, or I factor, based on the Company's input price growth, which is a composite of the ECI and PPI-E, weighted by the Company's labor and non-labor O&M expenses as a percentage of total O&M expenses (42.6 percent and 57.4 percent, respectively). The annual I factor will be capped at a rate no higher than 5.0 percent and no lower than 0.21 percent.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

ECI	Northeast Employee Cost Index, known as ECI-Northeast, which is a regional labor index of wages and salaries.
PPI-E	Producer Price Index for Electric Utilities, known as PPI-Electric Utilities.
X	The O&M Productivity or X Factor, which shall be fixed at 0.21 percent for the term of the PBR Plan, as established by the Department in D.P.U. 23-150.
CD	The Consumer Dividend of 0.4 percent, as established by the Department in D.P.U. 23-150. The Consumer Dividend shall only apply if the I factor is greater than or equal to 2.0 percent.
Z_{REV}	The sum of the cost impacts of all Exogenous Events, positive or negative, as provided for in Section 1.05, excluding incremental storm costs for those weather events that cause the Company to incur incremental costs exceeding $30 million.
T	The PBR Year.
T-1	The Prior Year.

1.04 Earnings Sharing Mechanism

1.04.1 Operation of ESM

In the event that the Company's actual Return on Average Common Equity for any calendar period ending December 31 of the years 2025 through 2029 is within the Earnings Sharing Range shown below, the difference between actual earnings and earnings calculated at the authorized return on equity shall be shared with customers as follows:

Earnings Sharing Range	Share to Customer	Share to Company
9.35% to 10.35%	Deadband, No Sharing of Earnings	
>10.35%	75%	25%

The authorized return on equity shall be the return on equity approved by the Department in D.P.U. 23-150. The Earnings Available for Common Equity used in the calculation will exclude Department approved incentives earned, such as energy efficiency incentives, long-term contract remuneration, and Performance Incentives associated with PIMs, and conversely, would exclude service-quality penalties or penalties associated with PIMs, as well as any amounts recognized in the reporting period resulting from regulatory or court settlements or decisions related to prior periods, if any.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

The annual Earnings Sharing credit, when applicable, shall result in a per kWh credit to retail delivery service customers.

1.04.2 ES Factor Formula

The Earnings Sharing credit per kWh shall be calculated as follows:

$$ESF_s = \frac{(ESMC + RA) \times DRA_s}{FkWh_s}$$

Where:

s	Designates a separate factor for the following rate classes: R-1/R-2, G-1, G-2, G-3, and Streetlighting.
ESF_s	The Earnings Sharing Factor, by rate class.
$FkWh_s$	The forecasted kWhs to be delivered to the Company's retail delivery service customers in the applicable rate class.
ESMC	The actual amount of customers' share of earnings to be shared with customers as a result of the actual Return on Average Common Equity is within an Earnings Sharing Range that results in shared earnings.
RA	ESF Reconciliation Amount for ESMC approved for recovery, inclusive of interest at the rate paid on customer deposits.
DRA_s	The Distribution Revenue Allocator as set forth in Section 1.02.

1.04.3 Reconciliation

The amount of customers' share of earnings is subject to reconciliation. The reconciliation balance shall be the difference between revenue billed through the ESF and the amount authorized to be credited to customers by the Department, determined monthly, plus carrying charges calculated on the average monthly balance using the same rate as that paid on customer deposits and then added to the end-of-month balance. Any reconciliation balance will be reflected in a subsequent year's ESF after review and approval by the Department.

1.05 Exogenous Events

1.05.1 Eligibility as an Exogenous Event

Exogenous Events are beyond the Company's control and result in the Company incurring costs or cost reductions not reflected in the composite inflation index or otherwise included in the PBR-O Adjustment. Costs approved by the Department that result from Exogenous Events are represented by the Z Factor in the

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

PBR-O%, except for certain storm costs a as discussed below and as defined in Section 1.05.2. To qualify for Exogenous Event recovery (whether positive or negative), the following criteria must be met:

(1) the cost must be beyond the Company's control and are not reflected in the I factor, defined above;

(2) the cost arises from a change in accounting requirements or regulatory, judicial, or legislative directives or enactments;

(3) the change is unique to the electric distribution industry as opposed to the general economy; and

(4) the change exceeds a significant threshold that is noncumulative (i.e., exogenous costs cannot be grouped together into a single total for purposes of determining whether the threshold has been met).

The significance threshold for Exogenous Event cost recovery is $3.6 million for each individual event in the first PBR Year ending September 2025, and thereafter, shall be adjusted annually based on changes in GDP-PI.

In addition to the criteria listed above in identifying Exogenous Events and qualifying their costs for recovery (whether positive or negative) through the PBRM, incremental storm costs for those weather events that cause the Company to incur incremental costs exceeding $30 million per event shall be eligible for recovery pursuant to Section 1.05.2 below.

Exogenous Event cost recovery requires that the Company present supporting documentation and rationale to the Department for a determination as to the appropriateness of the proposed recovery or refund. Once allowed by the Department, the amount of the cost change occurring in the Prior Year, or the year prior to the Prior Year and deferred for recovery or refund, shall be recovered from or credited to customers through a separate factor, after review and approval by the Department. The separate factor shall remain in effect until the Exogenous Event cost is fully recovered from or credited to customers, or until such time that the amounts are appropriately reflected in the PBR Adjustment, as applicable.

1.05.2 Recovery of Exogenous Storm Costs

The recovery of exogenous storm costs for those weather events that cause the Company to incur incremental costs exceeding $30 million per event shall always be through a separate factor that will recover each amount requested for recovery over a five-year period. In order for storms with incremental costs exceeding $30 million per event to be eligible for recovery pursuant to the provisions of this section, the total of (1) the balance of the Company's Storm Contingency Fund; and (2) the total incremental costs for any weather event that exceeds $30 million, must exceed $75 million. The Storm Factor shall be calculated as follows:

$$SF_s = \frac{(STRM \div 5) \times DRA_s}{FkWh_s}$$

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

Where:

s	Designates a separate factor for the following rate classes: R-1/R-2, G-1, G-2, G-3, and Streetlighting.
SF_s	The Storm Factor, by rate class.
$FkWh_s$	The forecasted kWhs to be delivered to the Company's retail delivery service customers in the applicable rate class.
STRM	Total incremental storm costs for those weather events that cause the Company to incur incremental costs exceeding $30 million and meeting the requirements of an Exogenous Event, including interest at the Prime Rate from the date the Company begins incurring costs to the end of each five-year recovery period.
DRA_s	The Distribution Revenue Allocator as set forth in Section 1.02.

1.05.3 Reconciliation

The amount of Exogenous Event storm costs authorized for recovery is subject to reconciliation. The reconciliation balance shall be the difference between revenue billed through the SF and the amount authorized for recovery by the Department, determined monthly, plus carrying charges calculated on the average monthly balance at the Prime rate and then added to the end-of-month balance. The Company will provide a reconciliation report to the Department 90 days after the end of each applicable five-year recovery period, and any reconciliation balance will be transferred to the Storm Contingency Fund.

1.06 Performance Incentive Mechanisms ("PIMs")

The Performance Incentive Factor ("PIF"), as calculated pursuant to Section 1.06.1, shall recover the Performance Incentives earned or Penalties incurred by the Company as a result of the Company achieving specific performance levels pertaining to two PIMs: (1) Low-income Discount Rate Enrollment PIM, and (2) Megawatts ("MW") of Distributed Energy Resources ("DER") Interconnected PIM, which individually and collectively shall be called PIMs. The Company shall measure performance of the PIMs identified above during the PBR Plan as defined in the indicated sections of Appendix A.

The Company will not achieve any financial incentive or pay any penalty if the Company achieves the target level of performance, or within the prescribed deadband around the target. For the Company to receive any incentive, or incur any penalty, the Company's performance will need to exceed, or fail to meet, the upper and lower deadband, respectively.

The value of Performance Incentives or Penalties earned/incurred will be based on the tables, formulas, and definitions in Appendix A.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

The Company will be eligible to earn Performance Incentives/Penalties for individual PIMs, and meeting the minimum performance level for all PIMs shall not be required to earn a PIM for which a minimum performance level has been reached.

1.06.1 PIF Formula

$$PIF_s = \frac{(PI + RA) \times DRA_s}{FkWh_s}$$

Where:

s	Designates a separate factor for the following rate classes: R-1/R-2, G-1, G-2, G-3, and Streetlighting.
PIF_s	The Performance Incentive Factor, by rate class.
$FkWh_s$	The forecasted kWhs to be delivered to the Company's retail delivery service customers in the applicable rate class.
PI	The actual annual total Performance Incentive or Penalty amounts to be recovered or refunded as calculated for the PIMs by the formulae and tables in Appendix A, as measured by Company performance achieved in the calendar year preceding the PBR Year.
RA	PIM Reconciliation Amount for Performance Incentives/Penalties earned/incurred and approved for recovery, inclusive of interest at the rate paid on customer deposits.
DRA_s	The Distribution Revenue Allocator as set forth in Section 1.02.

1.06.2 Reconciliation

The Reconciliation Amount associated with the recovery of Performance Incentives shall be the difference between revenue billed through the PIF and the amount authorized for recovery by the Department, determined monthly, plus carrying charges calculated on the average monthly balance using the same rate as that paid on customer deposits and then added to the end-of-month balance.

1.07 Annual Rate Adjustments Resulting from PBRM

1.07.1 PBR-O Adjustment

The PBR-O Adjustment for each Rate Class as calculated pursuant to Section 1.03 shall be reflected in the Rate Component for such Rate Class based on test year kilowatt-hour and demand billing determinants.

This adjustment to each Rate Class's Rate Component(s) will preserve the ratio of revenue generated through kilowatt-hour deliveries, billing demand, and distribution rate credits as approved by the Department in the Company's rate design from the most recent base distribution rate case. The Rate Class Base Distribution Revenue shall determine the Annual Target Revenue in the Company's Revenue Decoupling Mechanism ("RDM") effective at the start of the applicable PBR Year. Each PBR Year's Base Distribution Revenue shall not be subject to reconciliation except as provided by the Company's RDM Provision, as amended from time to time.

1.08 Notice

Each adjustment of the rates under the Company's applicable tariffs shall be in accordance with a notice filed with the Department on or before June 15 setting forth the amount of the (1) PBR Adjustment and new Rate Components; (2) ESF, if applicable; (3) SF, if applicable; and (4) PIF, if applicable. The notice shall further specify the effective date of such adjustments, which shall be October 1 following the filing of the notice, or such other date as the Department may authorize. For billing purposes, the ESF, SF, and PIF will be included with the distribution kWh charge on customers' bills.

1.09 Annual PBR Plan Filing

As part of its annual PBR Plan filing, the Company shall file information and supporting schedules with the Department necessary for the Department to review and approve the PBR-O Adjustment for the subsequent PBR Year. Such information shall include the PBR-O Adjustment calculation; the calculation of the ESF, if applicable, based upon the Company's annual Earnings Report filed with the Department on May 1; the descriptions of and accounting for any Exogenous Event costs; the calculation of the SF, if applicable; and supporting schedules and the calculation of the PIF, if applicable. The PBR Plan filings will be made annually on June 15 to effect the allowed adjustments of Base Distribution Rates. The Company also shall report on its scorecard metrics, as established and directed by the Department in D.P.U. 23-150, in its annual PBR-O rate adjustment filings to be submitted no later than June 15 each year.

1.10 Other Provisions

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

The Company may request that the Department grant a waiver of this Provision upon a showing of good cause, which will be made during the annual PBR Plan filing.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

APPENDIX A

SUMMARY OF PERFORMANCE INCENTIVE MECHANISM
PERFORMANCE METRICS, INCENTIVES AND PENALTIES

I. Increased Enrollment in Low-Income Discount Program PIM

	CY 2025	**CY 2026**	**CY 2027**	**CY 2028**	**CY 2029**
Target new R-2 enrollment	4,650	4,650	4,650	4,650	4,650
Upper Deadband (new R-2 customers)	5,400	5,400	5,400	5,400	5,400
Lower Deadband (new R-2 customers)	3,900	3,900	3,900	3,900	3,900
Maximum Performance Cap (new R-2 customers)	7,400	7,400	7,400	7,400	7,400
Minimum Performance Cap (new R-2 customers)	1,900	1,900	1,900	1,900	1,900
Incentive/Penalty per R-2 customer enrollment beyond the deadband	$250	$250	$250	$250	$250
Maximum Incentive/Penalty Cap	$500,000	$500,000	$500,000	$500,000	$500,000

If, the Actual Performance is within the deadband in each calendar year, then there is no incentive or penalty.

Lower Dead band < Actual Performance < Upper Dead band, then no incentive or penalty

If, the Actual Performance is greater than the Upper dead band, then the incentive is calculated as below up to the maximum incentive cap for the performance year.

Incentive = (Actual Performance – Upper Dead band) x Incentive per R-2 customer enrollment beyond deadband

If, the Actual Performance is below the Lower Deadband, then the penalty is calculated as below up to the maximum penalty cap for the performance year.

Penalty = (Lower Dead band - Actual Performance) x Penalty per R-2 customer enrollment beyond deadband

If the new R-2 enrollment exceeds the maximum incentive threshold or under the minimum penalty threshold in any calendar year, then those incremental customers will be rolled over for the next calendar year.

Where:

Actual Performance = New enrollment of customers in R-2 rate in each calendar year, beginning with a baseline of 156,563 R-2 customers. For performance purposes, the baseline will increase by 4,650

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

APPENDIX A

SUMMARY OF PERFORMANCE INCENTIVE MECHANISM
PERFORMANCE METRICS, INCENTIVES AND PENALTIES

each year through 2029, so that the number of new customers added each year is incremental to the previous year's baseline.

Incentive/ Penalty per R-2 customer enrollment beyond deadband =
Maximum Incentive Cap / (Maximum Performance Cap – Upper Deadband)

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

APPENDIX A

SUMMARY OF PERFORMANCE INCENTIVE MECHANISM
PERFORMANCE METRICS, INCENTIVES AND PENALTIES

II. MWs of DER Interconnected PIM

	CY 2025	**CY 2026**	**CY 2027**	**CY 2028**	**CY 2029**
Target MW of DER Interconnected (MW)	210	210	210	210	210
Upper Deadband (MW)	252	252	252	252	252
Lower Deadband (MW)	168	168	168	168	168
Maximum Performance Cap (MW)	335	335	335	335	335
Minimum Performance Cap (MW)	85	85	85	85	85
Incentive / Penalty per MW of DER Interconnected beyond deadband	$16,667	$16,667	$16,667	$16,667	$16,667
Maximum Incentive / Penalty Cap	$1,383,361	$1,383,361	$1,383,361	$1,383,361	$1,383,361

If, the Actual Performance is within the deadband in each calendar year, then there is no incentive or penalty.

Lower Dead band < Actual Performance < Upper Dead band, then no incentive or penalty

If, the Actual Performance is greater than the Upper Deadband, then the incentive is calculated as below up to the maximum incentive cap for the performance year.

Incentive =

(Actual Performance – Upper Dead band) x Incentive per MW DER Interconnected beyond deadband

If, the Actual Performance is below than the Lower Deadband, then the penalty is calculated as below up to the maximum penalty cap for the performance year.

Penalty =

(Lower Dead band - Actual Performance) x Penalty per MW DER Interconnected beyond deadband

If the MW of DER interconnected exceeds the maximum incentive threshold or under the maximum penalty threshold in any calendar year, then those incremental MW of DER interconnected will be rolled over for the next calendar year.

Where:

Actual Performance = MW of DER Interconnected in the Particular Calendar Year, plus any MW

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
PERFORMANCE-BASED RATEMAKING PROVISION

APPENDIX A

SUMMARY OF PERFORMANCE INCENTIVE MECHANISM
PERFORMANCE METRICS, INCENTIVES AND PENALTIES

of DER above prior year's maximum carried over

Incentive/ Penalty per MW of DER Interconnected beyond deadband =
Maximum Incentive Cap / (Maximum Performance Cap – Upper Deadband)