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January 13, 2023

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

Re: NSTAR Electric Company d/b/a Eversource Energy 2022-2025 Grid Modernization Plan, D.P.U. 21-80

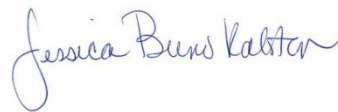
Dear Secretary Marini:

On behalf of NSTAR Electric Company d/b/a Eversource Energy (the “Company”), enclosed please find the Company’s revised Grid Modernization Factor tariff in clean and red-lined versions. The GMF tariff has been revised to comply with the Department of Public Utilities’ directives set forth in the Track 2 Order issued in the above-referenced docket on November 30, 2022 (the “Track 2 Order”).

Also enclosed, please find the Company’s proposed Residential Advanced Metering Opt-out tariff submitted in compliance with the Track 2 Order.

Please contact me with any questions you may have. Thank you for your attention to this matter.

Sincerely,



Jessica Buno Ralston

Enclosures

cc: Kerri Philips and Susan Geiser, Hearing Officers
D.P.U. 21-80 Service List

GRID MODERNIZATION FACTOR

1.0 APPLICABILITY

This Grid Modernization Factor tariff (“GMF tariff”) provides for the recovery of incremental costs associated with the Company’s Grid Modernization Plan (“GMP”) approved by the Department of Public Utilities (the “Department”). To be eligible for recovery, GMP costs must: (1) be preauthorized by the Department; (2) be incremental relative to the Company’s current investment practices or new types of technology for capital investments; (3) be 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; (4) be prudently incurred; (5) have aggregate total expenditures for preauthorized Eligible GMP Projects less than the four-year expenditure cap determined by the Department; and (6) be recorded as in-service by December 31 of each GMP Investment Year.

The Company’s rates for retail Delivery Service are subject to adjustment to reflect the operation of this GMF tariff. The Grid Modernization Factor (“GMF”), as defined herein, shall be applied to all retail delivery service kilowatt-hours (“kWhs”) as determined in accordance with the provisions of Section 3.0 below. The GMF shall be determined annually by the Company, subject to the Department’s review and approval. The operation of this GMF tariff is subject to Chapter 164 of the General Laws.

2.0 DEFINITIONS

2.1 Accumulated Deferred Income Taxes (ADIT) means the accumulated deferred income taxes associated with cumulative Eligible GMP Investments as of the end of the respective GMP Investment Year. For the year in which the Eligible GMP Investment was placed into service, the accumulated deferred income taxes will be determined on a monthly basis. The accumulated deferred income taxes for subsequent years shall be calculated based upon the average of the beginning and ending calendar year balances.

2.2 Accumulated Reserve for Depreciation (ARD) means the Accumulated Reserve for Depreciation, including net salvage, associated with cumulative Eligible GMP Investments as of the end of the respective GMP Investment Year. For the year in which the Eligible GMP Investment was placed into service, the Accumulated Reserve for Depreciation will be determined on a monthly basis. The Accumulated Reserve for Depreciation for

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subsequent years shall be calculated based upon the average of the beginning and ending calendar year balances.

- 2.3 Allowed O&M Expense (O&M) is the incremental O&M expense that is incurred by the Company as a result of implementing its GMP and is solely attributable to preauthorized grid modernization investments, including incremental GMP development and evaluation costs, the cost of which is not being recovered in base distribution rates or through another cost recovery mechanism. Eligible O&M costs are the actual monthly GMP-related O&M expenses incurred in the GMP Investment Year prior to the Recovery Year. Allowed O&M Expense is subject to the requirements of Section 4.0 and will exclude pension and post-retirement benefits other than pension costs recovered through any other reconciling mechanism.
- 2.4 Depreciation Expense (DEPR) is the annual depreciation expense associated with the average annual cumulative Eligible GMP Investments placed into service through the end of the calendar year prior to the Recovery Year. For the year during which the Eligible GMP Investment is placed into service, the Company shall calculate depreciation expense for use in the GMP Revenue Requirement by (1) dividing the annual depreciation accrual rates, determined in the Company's most recent distribution rate case, by 12, and (2) applying the resulting rate to the average monthly plant balances during the year. Depreciation expense for subsequent years may be calculated based on the average of the beginning and end of year plant balances.
- 2.5 Eligible GMP Investments are the cumulative capitalized costs of Eligible GMP Projects recorded as in-service, including net salvage, and are used and useful at the end of the GMP Investment Year that is prior to the GMP Recovery Year.
- 2.6 Eligible GMP Project is a project contained in the Company's GMP and preauthorized by the Department to be eligible for cost recovery as a project which contributes towards achieving the Department's grid modernization objectives to: (1) optimize system performance by attaining optimal levels of grid visibility, command and control, and self-healing; (2) optimize system demand by facilitating consumer price-responsiveness; and (3) interconnect and integrate distributed energy resources.

GRID MODERNIZATION FACTOR

- 2.7 GMP is the Grid Modernization Factor that recovers the annual GMP Revenue Requirement approved by the Department.
- 2.8 GMP is the Company's five-year Grid Modernization Plan which includes a four-year short-term investment plan consisting of Eligible GMP Projects, plus a five year strategic plan outlining how the Company intends to meet the Department's grid modernization objectives.
- 2.9 GMP Investment Year is the annual period beginning on January 1 and ending on December 31.
- 2.10 Recovery Year is the 12-month period for which the GMP is in effect beginning on July 1 and ending on June 30 of each year.
- 2.11 GMP Revenue Requirement is the revenue requirement associated with GMP plant-in-service for each GMP Investment Year prior to the Recovery Year, plus Allowed O&M Expense. For the year in which an Eligible GMP Investment is placed into service, the GMP Revenue Requirement will be calculated on a monthly basis. The GMP Revenue Requirement for subsequent years shall be calculated based upon the average of the beginning and ending calendar year balances. The GMP Revenue Requirement will be calculated to recover (1) the monthly revenue requirement for Eligible GMP Investments placed into service in the GMP Investment Year immediately prior to the Recovery Year; (2) the average annual revenue requirement for the calendar year ending December 31 of the GMP Investment Year immediately prior to the Recovery Year, for cumulative Eligible GMP Investments placed into service in GMP Investment Years two years prior to the Recovery Year; and (3) Allowed O&M Expense.
- 2.12 Grid Mod Role is a grid modernization position created for the specific purpose of implementing the Company's GMP.
- 2.13 Gross Plant Investments are the capitalized costs of Eligible GMP Investments recorded on the Company's books for Eligible GMP Investments. Actual capitalized cost of Eligible GMP Investments shall include applicable overhead and burden costs subject to the test provided in Section 5.0.

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President

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- 2.14 Pre-Tax Rate of Return (PTRR) shall be the after-tax weighted average cost of capital established by the Department in the Company's most recent general rate case, adjusted to a pre-tax basis by using currently effective federal and state income tax rates applicable to the period for which the GMP Revenue Requirement is calculated.
- 2.15 Property Tax Expense (PTE) means the property taxes calculated based on Eligible net GMP Investments multiplied by the Property Tax Rate. Property taxes will be excluded in the GMP Revenue Requirement in the first Recovery Year following the GMP Investment Year in which the eligible taxable plant went into service. Property taxes will be included in the GMP Revenue Requirement beginning in the second Recovery Year at 50% of the annual property tax amount. In subsequent years, the GMP Revenue Requirement will reflect a full year of property taxes.
- 2.16 Property Tax Rate is the Company's composite property tax rate determined in the Company's most recent general rate case, calculated as the ratio of total annual property taxes paid to total taxable net plant in service.
- 2.17 Rate Base (RB) is the investment value upon which the Company is permitted to earn its authorized rate of return.

3.0 GRID MODERNIZATION FACTOR ("GMF")

3.1 Rate Formula

$$GMF_c = \frac{(GMR + PPRA) \times BDRA_c}{FkWh_c}$$

Where:

- c Designates a separate factor for each rate class group.
- GMF_c The Grid Modernization Factor, by rate class, as defined in Section 2.7.
- GMR The GMP Revenue Requirement as defined in Section 2.11.
- PPRA The Past Period Reconciliation Amount defined as the difference between (a)

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the amount authorized to be recovered through the prior year's GMFs as approved by the Department and (b) the actual revenue billed through the applicable GMFs. Interest calculated on the average monthly balance using the customer deposit rate, as outlined in 220 CMR 26.09, shall also be included in the PPRA.

BDRA_c The Base Distribution Revenue Allocator representing the percentage of final revenue requirement allocated to each rate class group as determined in the Company's most recent general rate case.

Effective January 1, 2023, the Base Distribution Revenue Allocator shall be as shown below.

Rate Class Group	Base Distribution Revenue Allocator
Residential	50.795%
Small General Service/Streetlights	21.268%
Medium General Service	17.654%
Large General Service	10.283%
Total	100.000%

FkWh_c The forecasted kWh to be delivered to the Company's retail delivery service customers.

3.2 Request for GMFs

The Company shall submit annually to the Department its proposed GMFs by May 15 to become effective for usage on and after July 1.

3.3 Application of GMFs on Customer Bills

The GMF shall be truncated at one one thousandth (\$0.00001) of a cent per kWh and will be applied to the monthly kWh sales. In the Eastern Massachusetts territory, the GMF will be included with the distribution kWh charge on customers' bills.

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4.0 ELIGIBILITY FOR RECOVERY AS ALLOWED O&M EXPENSE

To be eligible for inclusion in Allowed O&M Expense as an incremental expense and recoverable through the GMF tariff, the Company shall demonstrate that all O&M expenses incurred as a result of grid modernization activities and proposed for recovery through the GMF are:

- (1) incremental to the representative level of O&M expenses recovered through all other rates billed by the Company to its customers; and
- (2) directly related to preauthorized grid modernization activities.

4.1 Internal Labor

Internal labor expense eligible for recovery as Allowed O&M Expense shall consist of:

- (i) the cost of non-employee individuals hired into Grid Mod Roles created after May 10, 2018;
- (ii) the cost of non-employee individuals hired into Grid Mod Roles created on or before May 10, 2018, provided that the Company can demonstrate that the associated costs are not already recovered through any other rate;
- (iii) the cost of employees who have transferred to a Grid Mod Role and who were hired after the most recent test year provided that the internal transfer was originally hired into a new position whose labor expense is not reflected in base distribution rates; and
- (iv) the cost of employees who have transferred to a Grid Mod Role and who were employees prior to the end of the test year used to establish current base distribution rates, provided the requirements set forth in Section 4.1.2 have been met. The Company shall separately account for the cost of employees hired into Grid Mod Roles, and maintain documentation regarding the dates of hire, names of employees, detailed job descriptions and responsibilities, titles, salaries, and

GRID MODERNIZATION FACTOR

specific activities performed by each Grid Mod Role in each applicable GMP Investment Year.

4.1.1 New Hires

Non-employee individuals hired into Grid Mod Roles and thereby becoming employees of the Company were not employees whose cost was included in the test year in the Company's most recent general rate case; therefore, the cost of these employees is not recovered in base distribution rates approved in that general rate case.

The Company may, at the time of the filing of a general rate case, propose to recover certain ongoing administrative costs, such as the cost of incremental employees, through base distribution rates. If the Company, in the context of a future rate proceeding, opts not to incorporate such costs in base distribution rates, the Company would be required to demonstrate that such costs were not included for recovery in base distribution rates and adjust the test year accordingly to exclude the costs.

4.1.2 Internal Transfers

Annually, as a component of the Annual GMP Cost Recovery Filing described in Section 6.2, the Company shall perform a test to determine whether existing employees transferred into Grid Mod Roles are incremental employees and their costs are not otherwise recovered through any other rate.

If the incremental role is filled by an internal transfer employed by the Company who was an employee as of the end of the test year for the most recent base-rate proceeding, the employee will only be considered as incremental when a new employee is hired to backfill the transferred employee's prior position.

If the transferred employee's prior position was backfilled by a new employee making at least the same gross salary (or more) as the transferred employee was making in their former role, then the labor and labor-related costs associated with the transferred employee that are charged to the program as expense would be deemed recoverable.

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If the Company backfills the transferred employee's prior position but does so at a gross salary less than the compensation of the employee reflected in base distribution rates who was transferred to the program, the Company will deduct the difference in compensation from the amount recoverable through the GMF.

If the Company does not backfill the transferred employee's prior position, the employee's labor expense will be eligible for recovery through the GMF when the Company credits the GMF for the associated labor expense already reflected in base distribution rates. The Company will not refund the expense reflected in base distribution rates during the first year of recovery of the transferred employee's cost through the GMF. If a backfill has not occurred by the start of the second year of recovery of the transferred employee's expenses through the GMF, the Company shall credit, with interest at the customer deposit rate, the associated labor expense reflected in base distribution rates, adjusted for any applicable rate adjustments approved by the Department.

5.0 OVERHEAD AND BURDEN ADJUSTMENTS

For purposes of GMF calculations, the actual overhead and burdens shall be reduced to the extent that actual O&M overhead and burdens in a given year are less than the amount included in base distribution rates as determined in its most recent general rate case. Such reduction shall be the difference between the actual O&M overhead and burdens and the amount included in base distribution rates. In addition, the percentage of capitalized overhead and burdens assigned to GMF projects shall be set equal to the ratio of GMF to non-GMF direct costs in any given year.

6.0 FILINGS WITH THE DEPARTMENT

6.1 GMP Term Filing

The Department preauthorized the Company's first three-year short-term investment plan Eligible GMP Projects and spending cap in D.P.U. 15-122 (2018), establishing three years of GMP spending for the GMP Investment Years 2018 through 2020 (first authorization term). The Department extended the first authorization term by one year, establishing four years of GMP spending for the GMP Investment Years 2018-2021 in D.P.U. 15-122-D (2020). In D.P.U. 20-69-A (2021) the Department established that by July 1, 2021, the

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Company shall submit its next GMP term filing that shall include a second four-year short-term investment plan for GMP Investment Years 2022 through 2025 (second authorization term). The operation of this GMF tariff is applicable to Eligible GMP Investment and Allowed O&M Expense associated with the first two GMP terms (2018 through 2021, and 2022 through 2025).

6.2 Annual GMP Cost Recovery Filing

The annual GMP cost recovery filing shall be submitted to the Department by May 15 and include, but not be limited to:

- (1) full project documentation of all Eligible GMP Projects' capital investment recorded as in-service during the Prior GMP Investment Year and documentation of Allowed O&M Expense, with narrative providing justification that the costs meet the cost recovery eligibility requirements in Section 1.0
- (2) supporting documentation demonstrating that the costs sought for recovery are preauthorized, incremental, prudently incurred, in service, and used and useful (where applicable)
- (3) any cost variances as defined in the Company's capital authorization policies
- (4) a demonstration that the proposed factors are calculated appropriately.
- (5) bill impacts
- (6) demonstration that the aggregate total of expenditures for preauthorized Eligible GMP Projects is under the four-year expenditure cap determined by the Department. This information shall also be included in the Term Report indicated below.
- (7) details on alternative government funding obtained for GMP-related investments and the associated offset for such funding

GRID MODERNIZATION FACTOR

6.3 Grid Modernization Annual Report

The Grid Modernization Annual Report shall be submitted to the Department by April 1 following the completion of the GMP Investment Year.

6.4 Grid Modernization Term Report

The Grid Modernization Term Report shall be submitted to the Department by April 1 following the completion of the four-year, short-term investment plan.

GRID MODERNIZATION FACTOR

1.0 APPLICABILITY

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2.0 DEFINITIONS

2.1 Accumulated Deferred Income Taxes (ADIT) means the accumulated deferred income taxes associated with cumulative Eligible GMP Investments as of the end of the respective GMP Investment Year. For the year in which the Eligible GMP Investment was placed into service, the accumulated deferred income taxes will be determined on a monthly basis. The accumulated deferred income taxes for subsequent years shall be calculated based upon the average of the beginning and ending calendar year balances.

2.2 Accumulated Reserve for Depreciation (ARD) means the Accumulated Reserve for Depreciation, including net salvage, associated with cumulative Eligible GMP Investments

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as of the end of the respective GMP Investment Year. For the year in which the Eligible GMP Investment was placed into service, the Accumulated Reserve for Depreciation will be determined on a monthly basis. The Accumulated Reserve for Depreciation for subsequent years shall be calculated based upon the average of the beginning and ending calendar year balances.

- 2.3 Allowed O&M Expense (O&M) is the incremental O&M expense that is incurred by the Company as a result of implementing its GMP and is solely attributable to preauthorized grid modernization investments, including incremental GMP development and evaluation costs, the cost of which is not being recovered in base distribution rates or through another cost recovery mechanism. Eligible O&M costs are the actual monthly GMP-related O&M expenses incurred in the GMP Investment Year prior to the Recovery Year. Allowed O&M Expense is subject to the requirements of Section 4.0 and will exclude pension and post-retirement benefits other than pension costs recovered through any other reconciling mechanism.
- 2.4 Depreciation Expense (DEPR) is the annual depreciation expense associated with the average annual cumulative Eligible GMP Investments placed into service through the end of the calendar year prior to the Recovery Year. For the year during which the Eligible GMP Investment is placed into service, the Company shall calculate depreciation expense for use in the GMP Revenue Requirement by (1) dividing the annual depreciation accrual rates, determined in the Company's most recent distribution rate case, by 12, and (2) applying the resulting rate to the average monthly plant balances during the year. Depreciation expense for subsequent years may be calculated based on the average of the beginning and end of year plant balances.
- 2.5 Eligible GMP Investments are the cumulative capitalized costs of Eligible GMP Projects recorded as in-service, including net salvage, and are used and useful at the end of the GMP Investment Year that is prior to the GMP Recovery Year.
- 2.6 Eligible GMP Project is a project contained in the Company's GMP and preauthorized by the Department to be eligible for cost recovery as a project which contributes towards

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achieving the Department's grid modernization objectives to: (1) optimize system performance by attaining optimal levels of grid visibility, command and control, and self-healing; (2) optimize system demand by facilitating consumer price-responsiveness; and (3) interconnect and integrate distributed energy resources.

- 2.7 GMF is the Grid Modernization Factor that recovers the annual GMP Revenue Requirement approved by the Department.
- 2.8 GMP is the Company's five-year Grid Modernization Plan which includes a four-year short-term investment plan consisting of Eligible GMP Projects, plus a five year strategic plan outlining how the Company intends to meet the Department's grid modernization objectives.
- 2.9 GMP Investment Year is the annual period beginning on January 1 and ending on December 31.
- 2.10 Recovery Year is the 12-month period for which the GMF is in effect beginning on July 1 and ending on June 30 of each year.
- 2.11 GMP Revenue Requirement is the revenue requirement associated with GMP plant-in-service for each GMP Investment Year prior to the Recovery Year, plus Allowed O&M Expense. For the year in which an Eligible GMP Investment is placed into service, the GMP Revenue Requirement will be calculated on a monthly basis. The GMP Revenue Requirement for subsequent years shall be calculated based upon the average of the beginning and ending calendar year balances. The GMP Revenue Requirement will be calculated to recover (1) the monthly revenue requirement for Eligible GMP Investments placed into service in the GMP Investment Year immediately prior to the Recovery Year; (2) the average annual revenue requirement for the calendar year ending December 31 of the GMP Investment Year immediately prior to the Recovery Year, for cumulative Eligible GMP Investments placed into service in GMP Investment Years two years prior to the Recovery Year; and (3) Allowed O&M Expense.

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- 2.12 Grid Mod Role is a grid modernization position created for the specific purpose of implementing the Company’s GMP.
- 2.13 Gross Plant Investments are the capitalized costs of Eligible GMP Investments recorded on the Company’s books for Eligible GMP Investments. Actual capitalized cost of Eligible GMP Investments shall include applicable overhead and burden costs subject to the test provided in Section 5.0.
- 2.14 Pre-Tax Rate of Return (PTRR) shall be the after-tax weighted average cost of capital established by the Department in the Company’s most recent general rate case, adjusted to a pre-tax basis by using currently effective federal and state income tax rates applicable to the period for which the GMP Revenue Requirement is calculated.
- 2.15 Property Tax Expense (PTE) means the property taxes calculated based on Eligible net GMP Investments multiplied by the Property Tax Rate. Property taxes will be excluded in the GMP Revenue Requirement in the first Recovery Year following the GMP Investment Year in which the eligible taxable plant went into service. Property taxes will be included in the GMP Revenue Requirement beginning in the second Recovery Year at 50% of the annual property tax amount. In subsequent years, the GMP Revenue Requirement will reflect a full year of property taxes.
- 2.16 Property Tax Rate is the Company’s composite property tax rate determined in the Company’s most recent general rate case, calculated as the ratio of total annual property taxes paid to total taxable net plant in service.
- 2.17 Rate Base (RB) is the investment value upon which the Company is permitted to earn its authorized rate of return.

3.0 GRID MODERNIZATION FACTOR (“GMF”)

3.1 Rate Formula

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$$GMF_c = \frac{(GMR + PPRA) \times BDRA_c}{FkWh_c}$$

Where:

- c Designates a separate factor for each rate class group.
- GMF_c The Grid Modernization Factor, by rate class, as defined in Section 2.7.
- GMR The GMP Revenue Requirement as defined in Section 2.11.
- PPRA The Past Period Reconciliation Amount defined as the difference between (a) the amount authorized to be recovered through the prior year's GMFs as approved by the Department and (b) the actual revenue billed through the applicable GMFs. Interest calculated on the average monthly balance using the customer deposit rate, as outlined in 220 CMR 26.09, shall also be included in the PPRA.
- BDRA_c The Base Distribution Revenue Allocator representing the percentage of final revenue requirement allocated to each rate class group as determined in the Company's most recent general rate case.

Effective January 1, 2023, the Base Distribution Revenue Allocator shall be as shown below.

Rate Class Group	Base Distribution Revenue Allocator
Residential	50.795%
Small General Service/Streetlights	21.268%
Medium General Service	17.654%
Large General Service	10.283%
Total	100.000%

- FkWh_c The forecasted kWh to be delivered to the Company's retail delivery service customers.

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NSTAR ELECTRIC COMPANY
73HG
d/b/a EVERSOURCE ENERGY
73F73G

M.D.P.U. No.
Cancels M.D.P.U. No.

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3.2 Request for GMFs

The Company shall submit annually to the Department its proposed GMFs by May 15 to become effective for usage on and after July 1.

3.3 Application of GMFs on Customer Bills

The GMF shall be truncated at one one thousandth (\$0.00001) of a cent per kWh and will be applied to the monthly kWh sales. In the Eastern Massachusetts territory, the GMF will be included with the distribution kWh charge on customers' bills.

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4.0 ELIGIBILITY FOR RECOVERY AS ALLOWED O&M EXPENSE

To be eligible for inclusion in Allowed O&M Expense as an incremental expense and recoverable through the GMF tariff, the Company shall demonstrate that all O&M expenses incurred as a result of grid modernization activities and proposed for recovery through the GMF are:

- (1) incremental to the representative level of O&M expenses recovered through all other rates billed by the Company to its customers; and
- (2) directly related to preauthorized grid modernization activities.

4.1 Internal Labor

Internal labor expense eligible for recovery as Allowed O&M Expense shall consist of:

- (i) the cost of non-employee individuals hired into Grid Mod Roles created after May 10, 2018;
- (ii) the cost of non-employee individuals hired into Grid Mod Roles created on or before May 10, 2018, provided that the Company can demonstrate that the associated costs are not already recovered through any other rate;
- (iii) the cost of employees who have transferred to a Grid Mod Role and who were hired after the most recent test year provided that the internal transfer was originally hired into a new position whose labor expense is not reflected in base distribution rates; and
- (iv) the cost of employees who have transferred to a Grid Mod Role and who were employees prior to the end of the test year used to establish current base distribution rates, provided the requirements set forth in Section 4.1.2 have been met. The Company shall separately account for the cost of employees hired into Grid Mod

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Roles, and maintain documentation regarding the dates of hire, names of employees, detailed job descriptions and responsibilities, titles, salaries, and specific activities performed by each Grid Mod Role in each applicable GMP Investment Year.

4.1.1 New Hires

Non-employee individuals hired into Grid Mod Roles and thereby becoming employees of the Company were not employees whose cost was included in the test year in the Company's most recent general rate case; therefore, the cost of these employees is not recovered in base distribution rates approved in that general rate case.

The Company may, at the time of the filing of a general rate case, propose to recover certain ongoing administrative costs, such as the cost of incremental employees, through base distribution rates. If the Company, in the context of a future rate proceeding, opts not to incorporate such costs in base distribution rates, the Company would be required to demonstrate that such costs were not included for recovery in base distribution rates and adjust the test year accordingly to exclude the costs.

4.1.2 Internal Transfers

Annually, as a component of the Annual GMP Cost Recovery Filing described in Section 6.2, the Company shall perform a test to determine whether existing employees transferred into Grid Mod Roles are incremental employees and their costs are not otherwise recovered through any other rate.

If the incremental role is filled by an internal transfer employed by the Company who was an employee as of the end of the test year for the most recent base-rate proceeding, the employee will only be considered as incremental when a new employee is hired to backfill the transferred employee's prior position.

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If the transferred employee's prior position was backfilled by a new employee making at least the same gross salary (or more) as the transferred employee was making in their former role, then the labor and labor-related costs associated with the transferred employee that are charged to the program as expense would be deemed recoverable.

If the Company backfills the transferred employee's prior position but does so at a gross salary less than the compensation of the employee reflected in base distribution rates who was transferred to the program, the Company will deduct the difference in compensation from the amount recoverable through the GMF.

If the Company does not backfill the transferred employee's prior position, the employee's labor expense will be eligible for recovery through the GMF when the Company credits the GMF for the associated labor expense already reflected in base distribution rates. The Company will not refund the expense reflected in base distribution rates during the first year of recovery of the transferred employee's cost through the GMF. If a backfill has not occurred by the start of the second year of recovery of the transferred employee's expenses through the GMF, the Company shall credit, with interest at the customer deposit rate, the associated labor expense reflected in base distribution rates, adjusted for any applicable rate adjustments approved by the Department.

5.0 OVERHEAD AND BURDEN ADJUSTMENTS

For purposes of GMF calculations, the actual overhead and burdens shall be reduced to the extent that actual O&M overhead and burdens in a given year are less than the amount included in base distribution rates as determined in its most recent general rate case. Such reduction shall be the difference between the actual O&M overhead and burdens and the amount included in base

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distribution rates. In addition, the percentage of capitalized overhead and burdens assigned to GMF projects shall be set equal to the ratio of GMF to non-GMF direct costs in any given year.

6.0 FILINGS WITH THE DEPARTMENT

6.1 GMP Term Filing

The Department preauthorized the Company's first three-year short-term investment plan Eligible GMP Projects and spending cap in D.P.U. 15-122 (2018), establishing three years of GMP spending for the GMP Investment Years 2018 through 2020 (first authorization term). The Department extended the first authorization term by one year, establishing four years of GMP spending for the GMP Investment Years 2018-2021 in D.P.U. 15-122-D (2020). In D.P.U. 20-69-A (2021) the Department established that by July 1, 2021, the Company shall submit its next GMP term filing that shall include a second four-year short-term investment plan for GMP Investment Years 2022 through 2025 (second authorization term). The operation of this GMF tariff is applicable to Eligible GMP Investment and Allowed O&M Expense associated with the first two GMP terms (2018 through 2021, and 2022 through 2025).

6.2 Annual GMP Cost Recovery Filing

The annual GMP cost recovery filing shall be submitted to the Department by May 15 and include, but not be limited to:

- (1) ~~F~~full project documentation of all Eligible GMP Projects' capital investment recorded as in-service during the Prior GMP Investment Year and documentation of Allowed O&M Expense, with narrative providing justification that the costs meet the cost recovery eligibility requirements in Section 1.0;

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- (2) ~~s~~Supporting documentation demonstrating that the costs sought for recovery are preauthorized, incremental, prudently incurred, in service, and used and useful (where applicable);
- (3) ~~a~~Any cost variances as defined in the Company's capital authorization ~~polieies;~~policies
- (4) ~~a~~A demonstration that the proposed factors are calculated ~~appropriately;~~appropriately.
- (5) ~~b~~Bill impacts; ~~and~~
- (6) ~~D~~demonstration that ~~the~~ aggregate total of expenditures for preauthorized Eligible GMP Projects is under the four-year expenditure cap determined by the Department. This information shall also be included in the Term Report indicated below.
- (7) details on alternative government funding obtained for GMP-related investments and the associated offset for such funding

6.3 Grid Modernization Annual Report

The Grid Modernization Annual Report shall be submitted to the Department by April 1 following the completion of the GMP Investment Year.

6.4 Grid Modernization Term Report

The Grid Modernization Term Report shall be submitted to the Department by April 1 following the completion of the four-year, short-term investment plan.

Issued by: Craig A. Hallstrom
~~2022~~January 13, 2023
President

Filed: ~~December 22,~~
Effective: January 1, 2023

RESIDENTIAL ADVANCED METERING OPT-OUT

AVAILABILITY

Service under this provision is available to residential customers receiving metered retail delivery service under the Company’s Residential, Residential Assistance, Residential Space Heating, and Residential Space Heating schedules (Rates R-1, R-2, R-3, and R-4).

DESCRIPTION OF SERVICES

Unless otherwise determined by the Company, all residential premises shall be equipped with a meter that employs advanced metering technology (either Automatic Meter Reading (AMR) or Advanced Metering Infrastructure (“AMI”) technology utilizing radio frequency or cellular transmitters to allow the Company to obtain meter readings remotely. However, residential customers may choose to “opt-out” by either notifying the Company of their request to not having an advanced meter installed at their location or having their advanced meter replaced with a non-advanced meter. At the customer’s request, the Company shall exchange the existing advanced electric meter at the customer’s location and install a non-advanced meter for the purpose of billing electric service to the customer. Upon receipt of the Customer’s request, the Company shall use its best efforts to exchange meters as soon as possible after receiving the request. However, the Company reserves the right to flexibility in scheduling the meter exchange in an appropriate manner based on resource availability.

Customers who choose to opt-out will be charged an initial fee for the removal of the existing advanced meter and the installation of the non-advanced meter, pursuant to the Service Fees below. Customers who choose to opt-out will also be charged a monthly meter reading fee for the non-advanced meter, pursuant to the Service Fees below. If the Company is unable for any reason to read the meter on the regularly scheduled monthly read date, the Company shall make a reasonable estimate of the consumption of electricity during those months when the meter is not read, based on available data, and such estimated bills shall be payable as rendered. The monthly meter reading fee will be charged on estimated bills. The Company will not assess any fees until after the Company has installed the non-advanced meter.

Any opt-out customer who subsequently wishes to have an AMI meter installed or re-installed will be charged a “re-installation fee” pursuant to the Schedule of Charges below. The re-installation fee will be charged for the removal of the non-advanced meter and the installation of an AMI meter. After an AMI meter has been re-installed, the Company will terminate billing the monthly meter reading fee. A new customer of record at a service location at which a previous customer of record had opted out of an AMI meter and the new customer of record requests the installation of an AMI meter shall not be assessed the Re-installation of Advanced Meter fee below.

SERVICE FEES

Removal of Advanced Meter/Installation of Non-Advanced Meter	\$42.00
Monthly Meter Reading	\$34.00
Re-installation of Advanced Meter	\$42.00

Issued by: Craig A. Hallstrom
President

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RESIDENTIAL ADVANCED METERING OPT-OUT

TERMS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this tariff.