

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

EXTERNAL TRANSMISSION CHARGE

SCHEDULE ETC

The External Transmission Charge ("ETC") shall recover on a fully reconciling basis from all FG&E retail Customers, the costs billed to FG&E by any other transmission provider, and by other regional transmission or operating entities, such as NEPOOL, a regional transmission group ("RTG"), an independent system operator ("ISO"), or other regional body, in the event that they are authorized to bill FG&E directly for their services, and shall include any other charges relating to the stability of the transmission system which FG&E is authorized to recover from retail Customers by order of the regulatory agency having jurisdiction over such charges. Effective December 1, 2002, the ETC shall also include working capital costs as calculated below. Transmission costs beyond the NEPOOL PTF system are the direct obligation of the individual Competitive Suppliers. Under no circumstances shall the amount included in the ETC recover costs which are collected by FG&E in any other rate or charge.

Working Capital Cost Calculation:

Cost of Working Capital = Working Capital Requirement * Tax Adjusted Cost of Capital

where:

Working Capital Requirement = Total Transmission Costs * Number of Days Lag/365

Total Transmission Costs are all costs included above;

Number of Days Lag is the number of days lag to calculate the purchased power working capital requirement as defined in the Company's most recent Lead Lag Study,

Tax Adjusted Cost of Capital = Cost of Debt + (Cost of Equity/(1-Effective Tax Rate))

where:

The Cost of Debt is the debt component of the rate of return as approved by the Department in the Company's most recent base rate case,

The Cost of Equity is the equity component of the rate of return as approved by the Department in the Company's most recent base rate case, and

The Effective Tax Rate is the combined effective state and federal income tax rate.

The ETC will not apply to Customers who have provided the Company with proof that their Competitive Supplier is providing this service on their behalf, and the Company is able to verify that it is not being charged for such External Transmission on the customer's behalf.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

EXTERNAL TRANSMISSION CHARGE

SCHEDULE ETC (Continued)

The ETC shall be established annually based on a forecast of transmission costs, and shall include a full reconciliation and adjustment with interest for any over- or under-recoveries occurring under the prior year's adjustment. This information shall be submitted as part of the annual reconciliation filing, along with complete documentation of the reconciliation adjustment calculations. The Company shall allocate the forecast of transmission costs and the prior period reconciliation to Rate Class Groups based on the 12-Coincident Peak, or 12-CP allocator from the Company's most recent rate case. The Rate Class Group is the combination of similar rate classes, as follows: the Residential group is the combination of RD-1 and RD-2; the General Service group is the combination of GD-1, GD-2, GD-4 and GD-5; the Large General Service group is the combination of GD-3 and Special Contracts; and Streetlights is the combination of Outdoor Lighting classes SD and SDC. The current 12-CP allocators are as follows:

<u>Rate Class</u>	12 Coincident Peak with FG&E's Peak (kW)	<u>Allocation</u>
RD-1/RD-2	33,498	45.15%
GD-1/GD-2/GD-4/GD-5	16,755	22.58%
GD-3/Special Contracts	23,581	31.78%
Streetlights	367	0.49%

Effective July 1, 2007, interest shall be calculated using the prime rate after-tax (i.e. prime rate * (1- tax rate). The tax rate shall be the combined federal and state income tax rate. The prime rate is to be fixed on a quarterly basis and established as reported in THE WALL STREET JOURNAL on the first business day of the month preceding the calendar quarter; if more than one rate is reported, the average of the reported rates shall be used.

The Company may file to change the ETC at any time should significant over- or under-recoveries occur or be expected to occur. Any adjustment of the ETC shall be in accordance with a notice filed with the Department setting forth the amount of the proposed charge, the amount of the increase or decrease, and the effective delivery charge in the Company's rates as adjusted to reflect the charge. The notice shall further specify the effective date of such charge, which shall not be earlier than thirty days after the filing of the notice, or such other date as the Department may authorize.

The operation of the ETC is subject to Chapter 164 of the General Laws.

Issued by: Mark H. Collin
 Sr. Vice President

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