

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY  
CAPITAL COST ADJUSTMENT  
SCHEDULE CCA

**Section**

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**1.0 Capital Cost Adjustment**

**1.1 Purpose**

The purpose of the Capital Cost Adjustment (“CCA”) rate mechanism is to establish a procedure that allows the Company to recover the Cumulative Revenue Requirement associated with utility plant additions recorded by the Company since December 31, 2023, as defined in Section 3.0.

**1.2 CCA Factors**

The Company shall develop annual CCA Factors to recover the Cumulative Revenue Requirement for its Actual Net CapEx recorded since December 31, 2023 through the end of the Current Year, unless otherwise approved by the Department.

On July 1, 2024, the CCA Factors effective January 1, 2024 shall be reduced to recover the 2023 revenue requirement associated with Actual Net Capex for calendar year 2022 when new base distribution rates are effective as determined in Docket No. D.P.U. 23-80.

The CCA Factors effective January 1, 2025 through June 30, 2025 shall recover the revenue requirement associated with Actual Net Capex for calendar year 2023: (1) six months of calendar year 2024 revenue requirement and (2) zero months of calendar year 2025 revenue requirement and any remaining balance for prior periods.

The CCA Factors effective January 1, 2026 through June 30, 2026 shall recover the revenue requirement associated with Actual Net Capex for calendar year 2024: (1) six months of calendar year 2025 revenue requirement and (2) zero months of calendar year 2026 revenue requirement and any remaining balance for prior periods.

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The Company shall allocate the Cumulative Revenue Requirement approved by the Department for recovery through the CCA, including any reconciliation and associated interest, to its rate classes based on the CCA Allocator. The reconciliation shall reflect the accumulated difference between the CCA, and actual revenues received by the Company through application of the CCA Factors to customer bills, plus interest. Interest shall be calculated on the average monthly balance using the customer deposit rate. The amount of Cumulative Revenue Requirement, reconciliation and interest by class, shall then be converted to a per kilowatt- hour factor for each rate class based on the estimated kilowatt-hours deliveries for the applicable class for the recovery year commencing January 1.

**1.3 Annual Rate Cap**

The annual change in the Cumulative Revenue Requirement may not exceed one and a half percent (1.5%) of total revenue as recorded during the Current Year, with revenue for externally supplied customers being adjusted by imputing the Company's basic service charges for that period. Total revenue shall include amounts that the Company has billed customers through applicable charges for distribution service, transmission service, energy efficiency, basic service, and any and all related adjustment factors. To the extent that the annual change in the Cumulative Revenue Requirement exceeds one and a half percent of total revenue, the difference shall be deferred with interest calculated at the customer deposit rate and included in the CCA for recovery in subsequent years.

**2.0 Applicability**

This CCA shall apply to all of the Company's delivery service Rate Schedules, subject to the jurisdiction of the Department, as determined in accordance with the provisions of this clause. For billing purposes, the CCA Factors shall be included in the Distribution Charge.

**3.0 Definitions**

The following definitions shall apply throughout the provisions of this tariff:

- (1) "Actual Net Capital Expenditure" or "Actual Net CapEx" shall mean the utility plant additions, excluding solar and grid modernization assets recoverable through the Company's other cost recovery mechanisms, recorded by the Company for a given calendar year, but in no event shall exceed \$11,000,000 annually, less the annual allowance of \$6,312,121 in base distribution rates for depreciation expense for calendar year 2023 Actual Net Capex. Calendar year 2024 Actual Net Capex shall mean the

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utility plant additions, excluding solar and grid modernization assets recoverable through the Company's other cost recovery mechanisms, recorded by the Company for a given calendar year, but in no event shall exceed \$11,000,000 annually, less the annual allowance of \$6,530,099 in base distribution rates for depreciation expense.

- (2) "CCA" shall mean the Capital Cost Adjustment mechanism that provides for the recovery of the Cumulative Revenue Requirement.
- (3) "CCA Allocator" shall be derived based on net plant from the Company's most recent base rate case as approved by the Department and shall be as follows by rate class:

Rate RD-1/RD-2	57.52%
Rate GD-1	1.78%
Rate GD-2/GD-4/GD-5	21.00%
Rate GD-3	18.19%
Rate SD Outdoor Lighting	1.24%
Rate SDC Outdoor Lighting	0.27%

- (4) "Company" shall mean Fitchburg Gas and Electric Light Company.
- (5) "Cumulative Net CapEx" shall mean the accumulation of Actual Net Capital Expenditures recorded since December 31, 2023 through the end of the Current Year.
- (6) "Cumulative Rate Base" shall mean the Cumulative Net CapEx adjusted for accumulated depreciation, cost of removal, accumulated deferred taxes, and cumulative deferred tax reversals on December 31, 2023 plant in service since December 31, 2023.
- (7) "Cumulative Revenue Requirement" shall mean the return on average Cumulative Rate Base, at a rate equal to the pre-tax weighted average cost of capital, as determined in Docket No. D.P.U. 23-80, or as revised by a subsequent Department order, plus the annual depreciation on cumulative utility plant additions less retirements, plus property tax on Cumulative Net Capex.
- (8) "Current Year" is the calendar year two years preceding January 1 of the recovery year during which the proposed CCA will be in effect.
- (9) "Department" shall mean the Massachusetts Department of Public Utilities.

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(10) "Property Tax Rate" is the Company's composite property tax rate determined in the Company's most recent base distribution rate case calculated as the ratio of total annual property taxes paid to total net plant in service in the test year.

**4.0 Effective Date**

The CCA Factors shall be effective on January 1<sup>st</sup> of each year, unless otherwise ordered by the Department.

**5.0 Capital Cost Adjustment Factor ("CCAF") Formula**

$$CCAF_{xs} = (CRR + RA) * CCAAs / FkWh_{xs}$$

**Where:**

$CCAF_{xs}$  = The annual Capital Cost Adjustment Factor for year x and class s.

$CRR$  = The Cumulative Revenue Requirement approved by the Department.

$RA$  = The Reconciliation Adjustment shall contain the accumulated difference between the CCA, and actual revenues received by the Company through application of the CCAF to customer bills, plus interest. Interest shall be calculated on the average monthly balance using the customer deposit rate.

$CCAAs$  = CCA Allocator, as defined in Section 3.0.

$FkWh_{xs}$  = The Forecasted kWhs is the forecasted amount of electricity for year x and class s to be distributed to the Company's distribution customers for the upcoming annual CCAF billing period.

$s$  = The Rate Class Group is the combination of similar rate classes, as follows:  
the Residential group is the combination of RD-1, RD-2 and EV-RES;  
the Small General Service group is GD-1;  
the Regular General Service group is the combination of GD-2, including demand charge alternative customers, GD-4 and GD-5;  
the Large General Service group is the combination of GD-3, including demand charge alternative customers, and Special Contracts

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the Company Owned Streetlights is the Outdoor Lighting class SD; and  
the Customer Owned Streetlights is the Outdoor Lighting class SDC.

**6.0 Information to be Filed with the Department**

On or before July 1 of each year, the Company shall submit to the Department a report of its capital investment for the Current Year. This report shall contain sufficient information to allow the Department to review the Company's actual capital expenditures for the purposes of determining the Company's Cumulative Revenue Requirement and subsequent CCA Factors. On or before November 2 of each year, the Company shall submit to the Department its proposed CCA Factors for the recovery year.

**7.0 Operation of the CCA**

The CCA will remain in effect for recovery of Actual Net Capex for the period of January 2023 through December 2024 pursuant to Section 1.2 above and the Company's Performance Based Revenue Adjustment (Schedule PBRA). The Company will continue to bill CCAF's to recover the cost of Cumulative Net Capex plus the annual depreciation and property tax on Cumulative Net Capex recorded during this period until such time that the Company has recovered all of the cost of Cumulative Net Capex incurred through the date on which new base distribution rates, which will recover the cost of this Cumulative Net Capex incurred on a prospective basis, take effect. In the next base distribution rate case, the rate base included in that rate case will reflect all capital investment recorded by the Company as in-service at the end of the test year consistent with Department precedent, before Company proposed adjustments.

Pursuant to Section 1.2 above, recovery of the cost of Actual Net CapEx is subject to reconciliation, and the Company will continue to bill the CCA Factors until such time as the reconciliation amounts for prior periods are fully recovered from or credited to customers.