FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

PENSION/PBOP ADJUSTMENT FACTOR

SCHEDULE PAF

1.01 Purpose

The purpose of the Pension/PBOP Adjustment Factor ("PAF") is to provide Fitchburg Gas and Electric Light Company (the "Company") a mechanism to adjust, on an annual basis and subject to the jurisdiction of the Department of Public Utilities (the "Department"), its rates for customers of distribution service to recover costs associated with Pension and post-retirement benefits other than pensions ("PBOPs") and to reconcile Pension and PBOP expense amounts included in the Company's distribution rates with the total electric distribution expense amounts recorded by the Company pursuant to SFAS 87 and SFAS 106. Effective July 1, 2024 with the Order issued on June 28, 2024 in D.P.U. 23-80, Pension and PBOP expense has been included for recovery in base distribution rates and is no longer recovered through the PAF. The Company is allowed to recover the remaining balance of the unamortized pension and PBOP expenses in the amount of one-half of the total balance through the next two PAF filings. The total balance shall include: (1) one-half of the unamortized pension and PBOP expense deferral as of December 31, 2024; (2) one-half of the unamortized 2023 pension and PBOP expense deferral; and (3) the under- or over-recovery through the Company's PAF as of the reconciliation date.

1.02 Applicability

This PAF shall be applicable to all firm electricity, as measured in kilowatthours ("kWhs"), delivered by the Company unless otherwise designated. For billing purposes, the PAF shall be included in the Distribution Charge.

1.03 Effective Date of Annual Adjustment Factor

The date on which the annual PAF becomes effective shall be the first day of each calendar year, unless otherwise ordered by the Department. The Company shall submit PAF filings as outlined in Section 1.06 of this tariff at least 90 days before November 1 each year.

1.04 Definitions

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

(1) "Distribution Company" or "Company" is Fitchburg Gas and Electric Light Company.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

PENSION/PBOP ADJUSTMENT FACTOR

SCHEDULE PAF (continued)

(2) "ERISA" is the Employee Information Retirement Income Security Act of 1974, as amended from time to time.

(3) "Pension Plan" is a Qualified Pension Plan, as defined by ERISA.

(4) "Post Retirement Plan Other Than Pension Plan" is a Qualified PBOP, as defined by ERISA.

(5) "Pre-Paid Amount" is the difference between: (1) the actual cash contributions to the Pension Plan and the PBOP Plan and (2) the amounts recognized in accordance with SFAS 87 and SFAS 106. These amounts are the Electric Division's allocation of total pre-paid amounts for the Company adjusted to exclude amounts allocated to the electric transmission function. Effective July 1, 2024, Pre-Paid Amounts have been terminated for inclusion in the PAF calculation.

(6) "Prior Year" is the calendar year previous to the effective date of a proposed PAF.

(7) "Reconciliation Deferral" is the difference between: (1) the total Pension and PBOP expense amounts included in the Company's rates (including both base distribution rates and the PAF); and (2) the total distribution expense amounts recorded by the Company in the Prior Year in accordance with the requirements of SFAS 87 and SFAS 106. Effective July 1, 2024 with the Order issued on June 28, 2024 in DPU 23-80, Pension and PBOP expense has been included for recovery in base distribution rates and is no longer recovered through the PAF.

1.05 Pension and PBOP Adjustment Factor Formula

$$PAF_{xs} = (RA_x + cc(URD_x - DTA_x) + PPRA_x) * LA_s / FkWh_{xs}$$

PAF_{xs} = The annual Pension/PBOP Adjustment Factor for year x and class s.

RA_x = The Reconciliation Adjustment for $Year_x$ is one-half of the Unamortized Reconciliation Deferral at the end of the Prior Year.

URD_x = The Unamortized Reconciliation Deferral is the amount of the Reconciliation Deferral that has not yet been collected in retail rates. At the beginning of $Year_x$ the Unamortized Reconciliation Deferral is the sum of: (1) the Unamortized Reconciliation Deferral at the beginning of the Prior Year; plus (2) the Reconciliation Deferral for the Prior Year; minus (3) the Reconciliation Adjustment for the Prior Year.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

PENSION/PBOP ADJUSTMENT FACTOR

SCHEDULE PAF (continued)

cc = The Cost of Capital is the tax-effected weighted-average cost of capital as most recently approved by the Department. Effective July 1, 2024, the cc will be equal to prime rate.

$APPA_x$ = The Average Pre-Paid Amount, for $Year_x$ is one half of the sum of: (1) the Pre-Paid Amount recorded on the Company's books as of the beginning of the Prior Year; and (2) the Pre-Paid Amount to be recorded on the Company's books as of the end of the Prior Year. Effective July 1, 2024 the Pre-Paid amounts and carrying charges associated with Pre-Paid Amounts have been terminated for inclusion in the PAF calculation.

DTA_x = The Deferred Tax Amount is the deferred taxes associated with (i) the Average Pre-Paid Amount and (ii) the URD at the end of the Prior Year.

$PPRA_x$ = The Past Period Reconciliation Amount is the sum of: (a) the difference between (1) the amount of PAF revenue that should have been collected by the Company in the year preceding the Prior Year and the Prior Year; and (2) the amount of PAF revenue actually received by the Company in the year preceding the Prior Year and the Prior Year; and (b) the amount computed in clause (a) times the prime rate computed in accordance with 220 C.M.R. § 6.08(2).

$FkWh_{xs}$ = 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 PAF billing period.

LA_s = The Labor Allocator is derived from the Company's most recent base rate case, unless otherwise adjusted and approved by the Department.

For rate changes effective on or after November 1, 2019 the allocators are:

Rate Class	Labor Expense	Allocation
RD-1/RD-2	$3,968,679	59.5598%
GD-1/GD-2/GD-4/GD-5	$1,762,128	26.4451%
GD-3/Special Contracts	$806,146	12.0982%
Streetlights	$126,399	1.8969%

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

PENSION/PBOP ADJUSTMENT FACTOR

SCHEDULE PAF (continued)

For rate changes effective on and after July 1, 2024 the allocators are:

Rate Class	Labor Expense	Allocation
RD-1/RD-2	$1,659,992	61.90%
GD-1/GD-2/GD-4/GD-5	$532,121	19.84%
GD-3/Special Contracts	$426,618	15.91%
Streetlights	$62,881	2.35%

s = 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 and EV-RES;
the General Service group is the combination of GD-1, GD-2, including electric vehicle demand charge alternative customers, GD-4 and GD-5;
the Large General Service group is the combination of GD-3 including electric vehicle demand charge alternative customers, and Special Contracts; and Streetlights is the Outdoor Lighting class.

1.06 <u>Information Required to be Filed with the Department</u>

Information pertaining to the PAF shall be filed with the Department ninety (90) days before November 1 each year. Additionally, the Company will file with the Department a complete list by (sub)account of all Pension and PBOP Plan accounts claimed as recoverable through the PAF over the relevant annual PAF billing period. This information will be submitted with each annual PAF filing, along with complete documentation of the reconciliation-adjustment calculations.

1.07 <u>Customer Notification</u>

The Company will notify customers in simple terms of changes to the PAF, including the nature of the change and the manner in which the PAF is applied to the bill. In the absence of a standard format, the Company will submit this notice for approval at the time of each PAF filing. Upon approval by the Department, the Company must immediately distribute these notices to all of its distribution customers either through direct mail, with its bills, or as a bill message.