THE NARRAGANSETT ELECTRIC COMPANY
PENSION ADJUSTMENT MECHANISM PROVISION

The prices for Retail Delivery Service contained in all the rates of the Company are subject to adjustment to reflect a Pension and Post-Retirement Benefits Other than Pensions (“PBOP”) Adjustment Factor (“PAF”). The PAF shall recover from or credit to customers the prior fiscal year’s reconciliation of the Company’s actual Pension and PBOP expenses to the Company’s Pension and PBOP expense allowance included in base distribution rates, including interest at the rate of interest paid on customer deposits. The recoverable actual Pension and PBOP amount shall reflect expense recorded on the Company’s books of account pursuant to the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 715, Compensation-Retirement Benefits, as amended in March 2017 in a FASB Accounting Standards Update (formerly Statement of Financial Accounting Standards (“SFAS”) 87 and SFAS 106) associated with pension and PBOP.

The PAF will be computed based on the difference in the Company’s actual pension and PBOP expense for the prior fiscal year ended December 31 and the base distribution rate allowance, plus carrying charges at the weighted average cost of capital on the cumulative five quarter average underfunding of the pension and PBOP Minimum Funding Obligation for the fiscal year ended December 31. The Minimum Funding Obligation will be equal to the amount of pension and PBOP costs collected from customers during the fiscal year, plus the amounts of pension and PBOP costs capitalized during the fiscal year. The amount collected from customers during the fiscal year would include (1) pension and PBOP allowance included in base distribution rates, and (2) amounts collected or refunded through the PAF. For the purpose of determining its Minimum Funding Obligation and the carrying costs that apply to that obligation, the Company shall be permitted to combine the funding of pensions and PBOPs, thereby offsetting, any deficiencies in PBOPs funding with any excess pension funding, or conversely offsetting any deficiencies in pension funding with any excess PBOP funding. The Company will be required to accrue and defer carrying charges on only the net unfunded pension/PBOP amount.

Notwithstanding the foregoing, for the fiscal year ending December 31, 2023, the PAF will be computed as set forth above for the nine month period commencing April 1, 2023, and ending December 31, 2023, to align with the Company’s fiscal year ended December 31.

The PAF shall be a uniform per kilowatt-hour factor based on the estimated kilowatt-hours to be delivered by the Company to its retail delivery customers. For billing purposes, the PAF will be included with the distribution kWh charge on customers’ bills.

Adjustments to rates pursuant to the Pension Adjustment Mechanism Provision are subject to review and approval by the Commission. Modifications to the factor contained in this Provision shall be in accordance with a notice filed with the Commission pursuant to R.I.G.L. § 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.

This provision is applicable to all Retail Delivery Service tariffs of the Company.