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PERSONAL AND CONFIDENTIAL

November 17, 2023

Andy Myers
Chester Energy Committee
Town of Chester
15 Middlefield Road
Chester, MA 01011

Dear Mr. Myers:

On behalf of NSTAR Electric Company d/b/a Eversource Energy ("Eversource" or "the Company"), I am pleased to provide an indicative purchase price to the Town of Chester ("the Town") for the electric utility assets of the Town of Chester Municipal Light Department ("CMLD"). This purchase price is based on our preliminary review of the CMLD 2021 Annual Return filed with the Massachusetts Department of Public Utilities ("MDPU"). Exhibit 1, attached, illustrates how we have calculated this purchase price as well as the proceeds that the Town would receive based on our understanding of the plant and plant related account balances. Exhibit 2 provides a comparison of residential customer rates offered by the Company and CMLD. As a next step we would like to confirm our understanding of these plant accounts and customer rates with CMLD and ultimately update the offer based on more current plant and related balances, as well as conduct due diligence over the physical condition of the system assets, customer rates, and customer accounts.

This indicative offer is intended to form a basis for further discussion and is not intended to be a legally binding agreement. The offer is subject to the verification or representation from the Town of the assumptions below. We look forward to working with you to complete our due diligence review and, on the basis of the additional information, negotiate and finalize the proposed transaction.

The Company strongly believes its proposal is in the best interest of the Town and its residents. Eversource has the financial strength to fund needed infrastructure investments and has a continuous focus on providing safe, reliable, and cost-effective service to our customers. The Company is committed to operational excellence, customer service, sustainability, and support of the communities we serve. The Company is proud of its top quartile reliability performance and believes the Town will benefit as well through this performance.

The Company anticipates serving the town from Eversource's Hadley office, which is staffed 24/7 with our Response Specialist Organization. This ensures highly experienced line workers are available around the clock that can respond immediately to calls. The Town is centrally located within the Eversource service territory so that in busier times, the Company can also easily dispatch resources from its Pittsfield or Springfield service centers to ensure timely response to any size or type of incident.



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The Company also believes this transaction will facilitate the construction of additional distribution facilities to provide redundancy into the Town, which will further improve upon its already reliable service. Additionally, the Town's customers will have access to Eversource's industry leading Energy Efficiency programs and benefits. Exhibit 3 outlines some of the opportunities that will be available through these Energy Efficiency programs.

The principal terms and assumptions underlying our Proposal are as follows:

1. Purchase Price: Based on the 2021 account balances, Eversource proposes to acquire the utility plant for \$203,985. As shown in Exhibit 1, this amount reflects the net utility plant balance (gross plant less accumulated depreciation) and less contributions in aid of construction, which typically reflect funds paid to the Town to supplement costs of constructing plant assets by end users.
2. Proceeds to the Town: Based on our understanding, the depreciation fund and cash balance (operation and stabilization fund) will revert to the Town upon the sale of the CMLD utility assets. As shown in Exhibit 1 the proceeds going back to the Town would be \$1,674,184 reflecting the purchase price as well as the fund and cash balances.
3. Key Assumptions: Our calculations of the purchase price and proceeds to the Town reflect our understanding of the plant and related accounts contained in the 2021 return filed with the MDPU as shown in Exhibit 1.
4. Property Taxes: We anticipate annual property taxes due from Eversource to the Town to increase by approximately \$30,000 - \$40,000 as a result of the assets proposed to be acquired.
5. Customer Accounts: Upon approval of the transaction by the MDPU, all residential and general service electric accounts served by CMLD would become Eversource accounts. The Town would be integrated into the Eversource service territory and new customers would also become Eversource customers.
6. Rates: CMLD rates differ from Eversource rates in that they fall outside of the purview of the MDPU. As an Eversource customer, the Town's residents and businesses will be able to avail themselves of state programs and contribute to the costs of both public policy programs and Eversource initiatives. The town appears to have favorably priced long-term energy supply contracts when compared to the current market, and therefore the residents may see rate increases under Eversource, pending further analysis by our team. Exhibit 2 provides a preliminary comparison of Eversource rates compared to CMLD rates.



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7. Employees: Eversource will make offers of employment to the Municipal Light Department line workers.
8. Town Approvals: We understand that the transaction will be subject to approval from Board of Selectmen. *REQUIRES TOWN VOTES.*
9. Regulatory Approval: The transaction would be contingent on satisfactory regulatory approval. Eversource has consistently demonstrated credibility, expertise, and responsiveness in its proceedings before the MDPU and has a strong track record for successful regulatory outcomes. Additionally, Eversource has considerable experience in obtaining regulatory approvals required for utility mergers and acquisitions.
10. Remaining Due Diligence Requirements: Our proposal remains subject to the satisfactory completion of all remaining due diligence and negotiation of definitive transaction documentation.

We appreciate the opportunity to present this Proposal and look forward to discussing it with you at your earliest convenience.

Sincerely,

Paul Renaud

Vice President
Eversource Energy



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Exhibit 1 - Preliminary Calculation of Purchase Price and Town Proceeds

Balances from 2021 Return Filed with the DPU

	<u>December 31,2021</u>	<u>Reference</u>
Utility Plant - Electric	1,021,864	page 10, line 5
Depreciation Fund	679,940	page 10, line 15
Cash (Operations & Stabilization Fund)	790,259	page 10, line 17
Contributions in Aid of Construction	(817,879)	page 11, line 34

Purchase Price:

Net Utility Plant (Gross Less Accumulated Depreciation)	1,021,864
Less Contribution in Aid of Construction	(817,879)
Purchase Price for Electric Plant	<u>\$ 203,985</u>

Proceeds:

Purchase Price	\$ 203,985
Depreciation Fund	679,940
Cash (Operation and Stabilization Fund)	790,259
Total Proceeds to Town	<u>\$ 1,674,184</u>

Year Ended December 31, 2021

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COMPARATIVE BALANCE SHEET Assets and Other Debits				
Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	UTILITY PLANT			
2	101 Utility Plant - Electric (P. 17)			
3	101 Utility Plant - Gas (P. 20)	1,079,677	1,021,864	(57,814)
4				0
5	Total Utility Plant			
6		1,079,677	1,021,864	(57,814)
7				
8				
9				
10				
11	FUND ACCOUNTS			
12	125 Sinking Funds	0	0	0
13	126 Depreciation Fund (P. 14)	678,533	679,940	1,407
14	128 Other Special Funds	0	0	0
15	Total Funds	678,533	679,940	1,407
16	CURRENT AND ACCRUED ASSETS			
17	131 Cash (P. 14)	628,544	790,259	161,715
18	132 Special Deposits	0	0	0
19	135 Working Funds	0	0	0
20	141 Notes Receivable	0	0	0
21	142 Customer Accounts Receivable	0	0	0
22	143 Other Accounts Receivable	203,972	148,302	(55,670)
23	146 Receivables from Municipality	16,116	10,138	(5,978)
24	151 Materials and Supplies (P. 14)	0	0	0
25		134,029	132,405	(1,624)
26	156 Prepayments			
27	174 Miscellaneous Current Assets	0	0	0
28	Total Current and Accrued Assets	982,661	1,081,104	98,443
29	DEFERRED DEBITS			
30	181 Unamortized Debt Discount			
31	182 Extraordinary Property Losses			
32	185 Other Deferred Debits	0	0	0
33	Total Deferred Debits	0	0	0
34		0	0	0
35	Total Assets and Other Debits	2,740,872	2,782,908	42,036

COMPARATIVE BALANCE SHEET Liabilities and Other Credits

Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	APPROPRIATIONS			
2	201 Appropriations for Construction			
3	SURPLUS	0	0	0
4	205 Sinking Fund Reserves	0	0	0
5	206 Loans Repayment	297,898	297,898	0
6	207 Appropriations for Construction Repayments	0	0	0
7	208 Unappropriated Earned Surplus (P. 12)	1,542,854	1,630,491	87,636
8	Total Surplus	1,840,752	1,928,389	87,636
9	LONG TERM DEBT			
10	221 Bonds (P. 6)	0	0	0
11	231 Notes Payable (P. 7)	0	0	0
12	Total Bonds and Notes	0	0	0
13	CURRENT AND ACCRUED LIABILITIES			
14	232 Accounts Payable	38,715	12,664	(26,051)
15	234 Payables to Municipality	0	0	0
16	235 Customers' Deposits	11,750	11,250	(500)
17	236 Taxes Accrued	398	431	33
18	237 Interest Accrued	0	0	0
19	242 Miscellaneous Current and Accrued Liabilities	31,377	12,295	(19,082)
20	Total Current and Accrued Liabilities	82,240	36,641	(45,600)
21	DEFERRED CREDITS			
22	251 Unamortized Premium on Debt			0
23	252 Customer Advances for Construction			0
24	253 Other Deferred Credits	0	0	0
25	Total Deferred Credits	0	0	0
26	RESERVES			
27	260 Reserves for Uncollectible Accounts			0
28	261 Property Insurance Reserve			0
29	262 Injuries and Damages Reserves			0
30	263 Pensions and Benefits Reserves			0
31	265 Miscellaneous Operating Reserves			0
32	Total Reserves	0	0	0
33	CONTRIBUTIONS IN AID OF CONSTRUCTION			
34	271 Contributions in Aid of Construction	817,879	817,879	(0)
35	Total Liabilities and Other Credits	2,740,872	2,782,908	42,036



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Other offerings for small businesses include:

- Turnkey program with contracted Eversource vendors
- Access to 0% financing for eligible measures
- Tiered incentive structure to promote comprehensive projects
- Increased incentives for projects on a Mainstreets event
- Click [here](#) to learn more

Medium-Sized Businesses

Eversource provides no-cost energy assessments for medium-sized businesses. These businesses may be eligible for energy efficiency incentives including:

- Lighting
- Refrigeration
- Weatherization
- Process improvement
- HVAC Control
- Instant saving measures (pipe wrap, thermostats, faucet aerators, low flow shower heads)
- Custom Measures

Other offerings for medium-sized businesses include:

- Turnkey program with contracted Eversource vendors
- Access to 0% third-party financing for eligible measures
- Tiered incentive structure to promote comprehensive projects
- Click [here](#) to learn more

Municipalities

Eversource provides no-cost energy assessments for municipalities. Municipalities may be eligible for energy efficiency incentives including:

- Lighting
- Streetlights
- Weatherization
- Existing HVAC Improvements
- New HVAC Equipment
- Building Management Systems
- Electrification
- Custom Measures



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Other offerings for municipalities include:

- Turnkey program with contracted Eversource vendors
- Access to low-interest financing for eligible projects
- Tiered incentive structure to promote comprehensive projects
- Click [here](#) to learn more

Exhibit 2 - Rate Comparison (November 2023)

	Eversource Residential (R-1)	Chester Electric Residential	Eversource *MA/Dynergy
Customer Charge (\$/month)	\$10.00	\$6.30	\$10.00
Distribution (\$/kWh)	\$0.05243	\$0.10248	\$0.05243
Reconciling Rates (\$/kWh)	\$0.05650		\$0.05650
Transmission (\$/kWh)	\$0.03812	\$0.02046	\$0.03812
Price Cost Adjustment (\$/kWh)		\$0.11137	
Total Delivery	\$0.14705	\$0.23431	\$0.14705
Energy Supply (\$/kWh)	\$0.14854	\$0.04810	\$0.09534
Total	\$0.29559	\$0.28241	\$0.24239

*MA= Municipal Aggregation

Exhibit 2 - Rate Comparison (January 2024)

1/22/2024

	Eversource Residential (R-1)	Chester Electric Residential	Eversource Res. Mun. Agg.
Customer Charge (\$/month)	\$10.00	\$6.30	\$10.00
Distribution (\$/kWh)	\$0.05909	\$0.10248	\$0.05909
Reconciling Rates (\$/kWh)	\$0.06678		\$0.06678
Transmission (\$/kWh)	\$0.04052	\$0.02046	\$0.04052
Price Cost Adjustment (\$/kWh)		\$0.11137	
Total Delivery	\$0.16639	\$0.23431	\$0.16639
Energy Supply (\$/kWh)	\$0.15845	\$0.04810	\$0.14159
Total	\$0.32484	\$0.28241	\$0.30798

*Eversource and Chester Electric Rates were assembled using actual bills received in Chester.
Res. Mun. Agg. = Residential Municipal Aggregation.*



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Exhibit 3 – Opportunities from Energy Efficiency Programs

Opportunities to Save Money and Energy for Massachusetts Customers

Multifamily Properties (5+ units)

Eversource provides no-cost energy assessments for multifamily property owners of five or more units. You may be eligible for incentives on energy efficiency improvements including:

- Occupancy sensors
- Water heating equipment
- Low-flow showerheads, faucet aerators, and pipe wrap
- Programmable thermostats
- Insulation
- Air sealing
- High-efficiency heating and cooling equipment and controls
- Learn more [here](#)
- 5+ multifamily customers may also be eligible to receive services through the Income Eligible Multifamily Retrofit Program if 50% or more of the tenants are at the designated income levels. Learn more [here](#)

Multifamily Properties (1-4 units)

Eversource provides in-person or virtual no-cost Home Energy Assessments for 1–4-unit multifamily property owners that include:

- No-cost air sealing
- Up to 100% off insulation
- Up to \$25,000 on qualifying energy-efficient heating, cooling, and water heating equipment and clothes washers
- Up to \$5,000 for the removal of knob and tube wiring or vermiculite (Offer valid for renter-occupied units in building with 2-4 units only)
- 0% financing
- Learn more [here](#)

Single-Family Homes

Eversource provides no-cost Home Energy Assessments to single-family homeowners, with access to:

- 75% or more off approved insulation improvements
- No-cost air sealing
- Rebates of up to \$25,000 on qualifying energy-efficient heating, cooling and/or water heating



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- equipment
- 0% interest financing

If you live in a single-family home or a 2–4-unit apartment building and you meet the annual household income requirements, you may qualify for our income-eligible offerings. These include no-cost upgrades such as:

- Replacement of your heating system
- Installation of additional attic, wall, and basement insulation
- Air sealing
- Replacement appliances including refrigerators, freezers, dehumidifiers, window air conditioners, and/or clothes washers if your current appliances are inefficient
- A programmable thermostat
- LED energy saving light bulbs
- Water-saving faucet aerators and showerheads
- Advanced power strips
- Click [here](#) to learn more

If you do not qualify for the income-eligible program, you may qualify for other special offers depending on your income, such as:

- Up to 100% off recommended insulation
- Up to \$16,000 off the cost of an air source heat pump and up to \$25,000 off the cost of a ground source heat pump
- Up to \$7,300 off the cost of an energy-efficient natural gas boiler
- Up to \$4,500 off the cost of an energy-efficient oil or propane furnace
- Up to \$7,000 off the cost of the removal of knob and tube wiring or vermiculite
- Click [here](#) to learn more

Small Businesses

Eversource provides no-cost energy assessments for small businesses. These businesses may be eligible for energy efficiency incentives including:

- Lighting
- Refrigeration
- Weatherization
- Process improvement
- HVAC Control
- Instant saving measures (pipe wrap, thermostats, faucet aerators, low flow shower heads)
- Custom Measures