

**THE NARRAGANSETT ELECTRIC COMPANY
STANDARD OFFER ADJUSTMENT PROVISION**

The prices contained in the applicable rates of the Company are subject to adjustment to reflect the power purchase costs incurred by the Company in arranging Standard Offer and Last Resort Service, which costs are not recovered from customers through the Standard Offer Service and Last Resort Service rates charged to Standard Offer and Last Resort Service customers.

On an annual basis, the Company shall reconcile its total cost of purchased power for Standard Offer and Last Resort Service supply against its total purchased power revenue (appropriately adjusted to reflect the Rhode Island Gross Receipts Tax), and the excess or deficiency ("Standard Offer/Last Resort Adjustment Balance") shall be refunded to, or collected from, customers through the rate recovery/refund methodology approved by the Commission at the time the Company files its annual reconciliation. Any positive or negative balance will accrue interest calculated at the rate in effect for customer deposits.

For purposes of the above reconciliation, total purchased power revenues shall mean all revenue collected from Standard Offer and Last Resort Service customers through the Standard Offer and Last Resort Service rates for the applicable 12 month reconciliation period. If there is a positive or negative balance in the then current Standard Offer/Last Resort Adjustment Balance outstanding from the prior period, the balance shall be credited against or added to the new reconciliation amount, as appropriate, in establishing the Standard Offer/Last Resort Adjustment Balance for the new reconciliation period.

By March 1 of each year, the Company shall determine the Standard Offer/Last Resort Adjustment Balance for the prior calendar year and make a filing with the Commission. The Company will propose at that time a rate recovery/refund methodology to recover or refund the balance, as appropriate, over the twelve month period commencing April 1. The Commission may order the Company to collect or refund the balance over any reasonable time period from (i) all customers, (ii) only Standard Offer and/or Last Resort Service customers, or (iii) through any other reasonable method.

Notwithstanding the foregoing, the Company may not recover, without full disclosure and the express approval of the Commission, any cost of Standard Offer Service in excess of the costs billable under the applicable Wholesale Settlement agreements from 1997 that established prices for wholesale standard offer supply.

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

Effective: May 1, 2000