

NANTUCKET ELECTRIC COMPANY

CABLE FACILITIES SURCHARGE PROVISION

The amount of the charge made by the Company for each kilowatthour of electric energy consumed by the customer, as determined under the Monthly Charge section of each rate or the equivalent rate section of Street and Area Lighting rates, will be adjusted by the applicable Cable Facilities Surcharge Rate per kilowatthour for such period.

The Cable Facilities Surcharge Rate per kilowatthour applicable to any period will be equal to the amount, either positive or negative and expressed in mills and fractions thereof, which is the quotient of:

- I. the estimated annual costs of the cable facilities for such period plus (or minus) the Adjustment for Past Differentials between the cable costs incurred and cable revenues collected by the Company,

divided by

- II. the estimated total number of kilowatthours to be sold by the Company over the same period.

The Cable Surcharge Rate, as so determined for any such period shall be applied to increase or decrease the price of each kilowatthour of electricity billed in the same period.

As used above, the "Annual Costs of the Cable Facilities" of the Company means revenues necessary to recover depreciation, return and Federal and State income taxes associated with the actual financing of the Cable Facilities.

The "Adjustment of Past Differentials" means the aggregate difference in amount (whether positive or negative) derived by subtracting the total revenues derived by the Company from the application of the Cable Facilities Surcharge Rate in effect during the twelve months ending December of each calendar year from the total charges on account of cost of the cable facilities incurred by the Company (plus or minus any prior annual reconciling adjustments) over the same twelve months. The total charges for cost of the cable facilities and the total Cable Facilities Surcharge revenues so derived shall consist of actual costs for the twelve months.

"Period" means a term of twelve consecutive months, or alternatively, and if approved by the Department of Public Utilities ("Department"), may mean a term extending beyond twelve months. If a period of more than twelve months is approved by the Department, the Adjustment of Past Differentials, as calculated above, will be deferred, with interest, calculated at the lower of the interest rate paid on customer deposits or the overall pre-tax rate of return used to arrive at the revenue requirement associated with the submarine cable placed in service on April 18, 2006.

If at any time during the period when the Cable Facilities Surcharge Rate is in effect, the Company's actual costs incurred (and to be incurred) during the period vary by ten percent (10%) or more above or below the Cable Facilities Surcharge revenues collected (and to be collected) during the period, the Company may apply to the Department for approval of an interim adjustment in the Cable Facilities Surcharge Rate, to be applicable during the remainder of the period.