

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
BASIC SERVICE ADJUSTMENT PROVISION

The Company's rates for Retail Delivery Service are subject to adjustment to reflect the costs, including administrative costs, incurred by the Company in arranging Basic Service, which costs are not recovered from Customers through the Basic Service rate charged to Basic Service Customers.

For purposes of calculating the Basic Service Administrative Cost Factor, which is applicable to customers receiving Basic Service, administrative costs associated with arranging Basic Service pursuant to this provision shall include:

1. the cost of working capital related to the provision of Basic Service;
2. the administrative costs of complying with the requirements of Renewable Energy Portfolio Standards and Alternative Energy Portfolio Standard pursuant to 225 CMR14.00 – 16.00, the costs of creating the environmental disclosure label, and the costs associated with NEPOOL's Generation Information System attributable to Basic Service load, fixed at \$61,134;
3. the costs associated with the procurement of Basic Service including requests for bids, contract negotiation, and execution and contract administration, and providing financial assurance with the Independent System Operator - New England ("ISO-NE"), in the form of a letter of credit, fixed at \$774,461;
4. the costs associated with notifying Basic Service customers of the rates for Basic Service and the costs associated with updating rate change in the Company's billing system, fixed at \$23,619; and
5. the uncollectible costs associated with the amounts the Company bills for Basic Service supply.

On an annual basis, the Company shall perform two reconciliations for Basic Service. In the first reconciliation, the Company shall reconcile its power supply cost of providing Basic Service with its Basic Service revenue associated with the recovery of power supply costs, and the excess or deficiency shall be refunded to, or collected from, all of the Company's retail delivery service customers on a per kilowatt-hour basis over the following 12 months, with interest at the interest rate paid on customer deposits. The over- or under-recovery of power supply costs shall be allocated to the Company's rate classes by applying the Distribution Revenue Allocator shown below. The amount allocated to each rate class shall be based on the estimated kilowatt-hours to be delivered by the Company to each rate class over the 12 months the factor is to be applied to customers' bills. Such rate class specific per kWh factor is referred to as the Basic Service Adjustment Factor.

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Distribution Revenue Allocator shall be derived from the Company's most recent base rate case as approved by the Department and shall be as follows by rate class:

R-1/R-2	57.5%
R-4	0.1%
G-1	12.3%
G-2	11.6%
G-3	17.8%
Streetlighting	0.7%

In the second reconciliation, the Company shall reconcile its administrative cost of providing Basic Service with its Basic Service revenue associated with the recovery of administrative costs, and the excess or deficiency, including interest at the interest rate paid on customer deposits, shall be refunded to, or collected from, Basic Service Customers in the subsequent year's Basic Service Administrative Cost Factor. The Company may file to change the Basic Service Administrative Cost Factor at any time should significant over- or under-recoveries of Basic Service costs occur.

For purposes of the power supply reconciliation, total Basic Service revenues shall mean all revenue billed by the Company to Basic Service customers through the Basic Service rates for the applicable 12-month reconciliation period together with payments or credits from suppliers for the provision of Basic Service. Revenue to be credited in this reconciliation shall also include revenue billed by the Company to Retail Delivery Service customers pursuant to the Renewable Energy Recovery Provision for estimated above or below-market costs of renewable resource contracts entered into by the Company pursuant to § 83A of *An Act Relative to Green Communities*.

The cost of providing Basic Service shall mean the cost incurred by the Company in providing Basic Service, which shall include:

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1. payments to Basic Service suppliers;
2. payments to the ISO-NE for procuring Basic Service power;
3. the cost of acquiring Renewable Energy Certificates (“RECs”) or remitting Alternate Compliance Payments to comply with the renewable portfolio standards established in Mass. Gen. Laws c. 25A, § 11F and 220 C.M.R. 14.00 – 16.00 et seq.;
4. the market value assigned to RECs generated by the Company’s solar generation facilities constructed, owned, and operated pursuant to Mass. Gen. Laws c. 164, § 1A(f), as amended by the Green Communities Act,;
5. the market value assigned to RECs under renewable resource contracts entered into by the Company pursuant to § 83A of *An Act Relative to Green Communities* and used to comply with the Renewable Energy Portfolio Standards as approved by the Department, or credits representing the net proceeds received from the sale of RECs purchased under these contracts;
6. the cost of acquiring Clean Energy Credits or remitting Alternative Compliance Payments to comply with the Clean Energy Standard pursuant to Mass. Gen. Laws c. 21N, the *Global Warming Solutions Act*, and 310 C.M.R. 7.75; and
7. the FERC approved costs billed to the Company for the operation of the New England Power Pool (“NEPOOL”) Generation Information System, which are billed to the Company as a result of its being subject to Attribute Laws, as defined in the NEPOOL cost allocation document.

Should any balance remain outstanding subsequent to the refund or recovery of over or under collections as described above, the Company shall reflect as an adjustment in the current reconciliation period the amount of the outstanding balance.

Each adjustment of the prices under the Company’s applicable rates shall be in accordance with a notice filed with the Department of Public Utilities (the “Department”) setting forth the amount of the increase or decrease and the new Basic Service Adjustment Factor amount and the Basic Service Administrative Cost Factor amount. The notice shall further specify the effective date of such adjustments, which shall not be earlier than 45 days after the filing of the notice, or such other date as the Department may authorize.

This provision is applicable to all Retail Delivery Service rates of the Company. The operation of this Basic Service Adjustment clause is subject to Chapter 164 of the General Laws.