

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.

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.

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

| | |
|----------------|-------|
| R-1/R-2 | 57.7% |
| G-1 | 12.9% |
| G-2 | 11.9% |
| G-3 | 16.9% |
| Streetlighting | 0.6% |

For purposes of the power supply reconciliation, total Basic Service revenue 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. The cost of providing Basic Service shall include costs related to environmental attributes necessary to comply with the requirements enacted by the Commonwealth of Massachusetts from time to time and the cost of New England Power Pool's Generation Information System.

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 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 associated with the procurement of environmental attributes to comply with the requirements enacted by the Commonwealth of Massachusetts from

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- time to time, and the costs associated with NEPOOL's Generation Information System attributable to Basic Service load, fixed at \$66,102;
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 \$846,717;
 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 \$26,322; and
 5. the uncollectible costs associated with the amounts the Company bills for Basic Service supply.

Should any balance remain outstanding subsequent to the refund or recovery of over or under collections in either reconciliation 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 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.