

THE NARRAGANSETT ELECTRIC COMPANY
NON-BYPASSABLE TRANSITION CHARGE ADJUSTMENT PROVISION

The Non-Bypassable Transition Charge shall recover from customers all Contract Termination Charges billed to the Narragansett Electric Company (the “Company”) by the New England Power Company or Montaup Electric Company (together “NEP”). If NEP calculates in its annual Contract Termination Charge reports a total amount to be provided to the Company in the following year that is a credit, the Company shall calculate its Non-Bypassable Transition Charge based on the total amount to be credited and the Company’s most recent forecast of kilowatt-hour deliveries for the year in which the Non-Bypassable Transition Charge will be in effect. The Non-Bypassable Transition Charge may be subject to adjustment each time any Contract Termination Charge changes.

On an annual basis, the Company shall reconcile its total cost of Contract Termination Charges against its total transition charge revenue to determine any excess or deficiency (“Transition Charge Adjustment Balance”). Any positive or negative balance will accrue interest calculated at the rate in effect for customer deposits. If the Non-Bypassable Transition Charge billed by the Company is a credit per kilowatt-hour based on the Company’s most recent forecast of kilowatt-hour deliveries as provided above, any carrying charges in future years that NEP will credit to the Company as a result shall be retained by the Company.

For purposes of the above reconciliation, total transition charge revenues shall mean all revenue billed to customers through the transition charges for the applicable reconciliation period. If there is a positive or negative balance in the then current Transition Charge 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 Transition Charge Adjustment Balance for the new reconciliation period. The Company shall annually determine the Transition Charge Adjustment Balance, if any, for the prior calendar year or other appropriate period 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 a twelve-month period or over any reasonable time period as approved by the Commission.

Modifications to the Non-Bypassable Transition Charge shall be in accordance with a notice filed with the Public Utilities Commission setting forth the revised charge and the amount of the increase or decrease. The notice shall further specify the effective date of the change.

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