

THE NARRAGANSETT ELECTRIC COMPANY
TRANSMISSION SERVICE COST ADJUSTMENT PROVISION

The Transmission Service Cost Adjustment (TCA) shall recover from customers transmission costs billed to The Narragansett Electric Company (Narragansett or the Company) by entities such as New England Power Company, by any other transmission provider, and by regional transmission entities such as the Independent System Operator-New England, a regional transmission group, or any other entity that is authorized to bill Narragansett directly for transmission services. In addition, the TCA shall be adjusted to include an allowance for the Company's uncollectible accounts receivables associated with amounts billed through the TCA at the rate approved by the Commission.

The TCA Factor shall be calculated separately for each of the Company's rate classes. The TCA Factor shall be established annually based on a forecast of transmission costs, the adjustment for transmission-related uncollectible amounts based on the uncollectible percentage approved by the Commission in the Company's most recent general rate case, a full reconciliation and adjustment for any over- or under-recoveries of transmission costs incurred during the prior year, and the reconciliation of the allowance for transmission-related uncollectible amounts as described below. The Company may file to change the TCA at any time should significant over- or under-recoveries occur.

The allowance for transmission-related uncollectible amounts shall be estimated for purposes of setting the TCA Factor for the upcoming year as the approved rate applied to the sum of (1) the forecast of transmission costs as allocated to each of the Company's rate classes on the basis of coincident peak demand and (2) any over- or under-recoveries from the prior year allocated to rate classes on the basis of each class' monthly coincident peak demand during the reconciliation period. This amount shall be subject to reconciliation only for actual transmission revenue billed by the Company over the applicable period.

Modifications to the TCA Factor shall be in accordance with a notice filed with the Public Utilities Commission setting forth the amount of the revised factor and the amount of the increase or decrease. The notice shall further specify the effective date of such charges.