MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
TRANSMISSION SERVICE COST ADJUSTMENT PROVISION

The Transmission Service Cost Adjustment shall collect from customers taking transmission service under the Company's rates the transmission costs billed to the Company by New England Power Company ("NEP"), any other transmission provider, the New England Power Pool, a regional transmission group, an independent system operator or any other entity that is authorized to bill the Company directly for transmission services[1]. The transmission service cost adjustment shall be calculated separately for each of the Company's rate classes and shall be a cents per kilowatt-hour factor applicable to all kilowatt-hours delivered by the Company to customers taking transmission service under each of the Company's rates, with the exception of those Rate G-3 customers opting into the Transmission Coincident Peak Billing Option, whose rate will be a per kilowatt factor. The per kilowatt factor will be calculated based on the transmission costs allocated to Rate G-3 customer rate class using the methodology described below and divided by the most recently available analysis on the Rate G-3 demands. Rate R-1 and Rate R-2 residential customers who were placed on the Heat Pump Rate pursuant to the Rate R-1 and Rate R-2 retail delivery service provisions, subject to change from time to time, shall be placed on a Heat Pump Transmission Service Charge, which will be calculated using the methodology described below and divided by the forecasted heat pump customers kilowatt hours for the winter season, which is defined as November 1 through April 30.

The factor shall be established annually based on a forecast of transmission costs, and shall include a full reconciliation and adjustment for any over- or under-recoveries occurring under the prior year's adjustment. The Company shall allocate the forecast of transmission costs and the balance of any over- or under-recoveries to its rate classes using an allocator based upon the most recently available analysis which reports on the monthly rate class demands at the time of NEP's monthly transmission system peak. The Company may file to change the factor adjustments at any time should significant over- or under-recoveries occur.

Any adjustment of the Transmission Service Cost Adjustment factors 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 Transmission Service Cost Adjustment amounts for each rate class. The notice shall further specify the effective date of such adjustments, which shall not be earlier than thirty days after the filing of the notice, or such other date as the Department may authorize.

The operation of this Transmission Service Cost Adjustment clause is subject to Chapter 164 of the General Laws.

[1] Hereinafter, "Transmission Provider" shall refer to these entities.