MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY

TERMS AND CONDITIONS FOR MUNICIPAL AGGREGATORS

1. Applicability

1A. The following Terms and Conditions shall apply to every approved Municipal Aggregator authorized to do business within the Commonwealth of Massachusetts and the Company's service territory, and to every Customer doing business with said Municipal Aggregator.

1B. These Terms and Conditions may be revised, amended, supplemented or supplanted in whole or in part from time to time according to the procedures provided in M.D.P.U. regulations and Massachusetts law. In case of conflict between these Terms and Conditions and any orders or regulations of the M.D.P.U., said orders or regulations shall govern.

1C. No agent or employee of the Company is authorized to modify any provision contained in these Terms and Conditions or to bind the Company to perform in any manner contrary thereto. Any such modification to these Terms and Conditions or any such promise contrary thereto shall be in writing, duly executed by an authorized officer of the Company, and subject in all cases to applicable statutes and to the orders and regulations of the M.D.P.U., and available for public inspection during normal business hours at the business offices of the Company and at the offices of the M.D.P.U.

2. Definitions

"Aggregator" shall mean any "Aggregator" as defined in the M.G.L. c. 164, §1.

"Basic Service" (previously referred to as "Default Service") shall mean the service provided by the Distribution Company to a Customer who is not receiving Generation Service from a Competitive Supplier, in accordance with the provisions set forth in the Company's Basic Service tariff, on file with the M.D.P.U.

"Competitive Supplier" shall mean any entity licensed by the M.D.P.U. to sell electricity to retail Customers in Massachusetts, with the following exceptions: (1) a Distribution Company providing Basic Service to its distribution Customers, and (2) a municipal light department that is acting as a Distribution Company. A Competitive Supplier can sell electricity directly to retail Customers or through a Municipal Aggregator.

"Commission" shall mean the Federal Energy Regulatory Commission.

"Customer" shall mean any person, partnership, corporation, or any other entity, whether public or private, who obtains Distribution Service at a Customer Delivery Point and who is a Customer of record of the Company.

"Customer Delivery Point" shall mean the Company's meter or a point designated by the Company located on the Customer's premises.

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"Distribution Company" or "Company" shall mean Massachusetts Electric Company or Nantucket Electric Company.

"Distribution Service" shall mean the delivery of electricity to Customers by the Distribution Company.

"EBT Working Group Report" or "Report" shall mean the most recently revised version of the report initially submitted by the Electronic Business Transaction Working Group on October 9, 1997. The Report shall be on file at the M.D.P.U.

"Enrollment period" shall mean, for a particular Customer, the period of time during which a Municipal Aggregator may submit an enrollment transaction to a Distribution Company for initiation of Generation Service concurrent with the start of the Customer's next billing cycle.

"Generation Service" shall mean the sale of electricity to a Customer by a Competitive Supplier, including capacity and ancillary services such as the provision of reserves and all other services relating to generation required by ISO-NE, and retail offerings that utilize renewable energy certificates or represent alternative compliance payments that are bundled with generation, provided that such products can be billed using the Standard Complete Billing Service platform.

"ISO-NE" shall mean ISO New England Inc., authorized by the Commission to exercise for New England the functions required pursuant to the Commission's Order No. 2000 (and its progeny) and the Commission's regulations, and any successor organization (including but not limited to a Regional Transmission Organization).

"ISO Tariff" shall mean the ISO New England Inc. Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3, as amended, modified, superseded and supplemented from time to time, and including the Market Rules and Procedures.

"ISO New England Operating Documents" shall mean the ISO Tariff and the ISO New England Operating Procedures, as amended, modified, superseded and supplemented from time to time.

"ISO-NE PTF" shall mean pool transmission facilities included in the ISO Tariff on file with the Commission.

"Market Rules and Procedures" shall mean the Market Rules, Manuals and Procedures adopted by the ISO-NE and/or NEPOOL, as may be amended from time to time, and as administered by the ISO to govern the operation of the NEPOOL markets.

"M.D.P.U." shall mean the Massachusetts Department of Public Utilities.

"Municipal Aggregation" shall mean a program by which the electrical load of interested electricity consumers who are not otherwise served by an existing municipal lighting company is aggregated by a

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municipality or group of municipalities for the purpose of soliciting bids, brokering, and contracting for electric power and energy services for such customers and approved by the M.D.P.U. pursuant to G.L. c. 164, § 134.

"Municipal Aggregator" shall mean an Aggregator that is comprised of a municipality or a group of municipalities, or duly authorized board or agency thereof, that is providing retail load aggregation pursuant to the M.G.L. c. 164, §134.

"NEPOOL" shall mean the New England Power Pool and its successors.

"NEPOOL Agreement" shall mean the Second Restated New England Power Pool Agreement dated as of February 1, 2005, as amended or accepted by the Commission and as may be amended, modified, superseded, supplemented and/or restated from time to time.

"NEPOOL Rules" shall mean all rules adopted by NEPOOL or ISO-NE, as such rules may be amended, modified, supplemented or superseded and restated from time to time, including but not limited to, the NEPOOL Agreement, the ISO Tariff, the ISO New England Operating Documents, the Transmission Operating Agreement, the Participants Agreement, the NEPOOL Manuals, and the NEPOOL Operating Procedures, as amended, superseded or restated from time to time.

"Opt-Out" shall mean, for a particular customer, the ability to remove itself from the retail load aggregation service provided by a Municipal Aggregator and receive Generation Service from the Distribution Company or a Competitive Supplier.

"Service Agreement" shall mean an agreement between the Municipal Aggregator and the Company, as set forth in Section 3C(5) herein.

"Terms and Conditions" shall mean these Terms and Conditions for Municipal Aggregators.

3. Obligations of Parties

3A. Customer

Subject to the Terms and Conditions herein and unless a Customer chooses to Opt-Out, a Customer within the area serviced by a Municipal Aggregator shall be enrolled to receive its Generation Service from that Municipal Aggregator within 30 days of the Municipal Aggregator being fully operational, and will be deemed to be serviced by that Municipal Aggregator for the purposes of the Distribution Company (1) reporting the Customer's hourly electric consumption to the ISO NE, and (2) providing billing services, either directly on behalf of the Municipal Aggregator or through arrangements with a third party.

The Customer may choose to Opt-Out of receiving Generation Service from the Municipal Aggregator. A Customer may elect to Opt-Out by notifying:

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(a) a Competitive Supplier and requesting Generation Service from that Competitive Supplier, in which case the Competitive Supplier will arrange to switch the Customer from the Municipal Aggregator's Generation Service to the Competitive Supplier's Generation Service in accordance with the Company's Terms and Conditions for Competitive Suppliers;

(b) the Municipal Aggregator, in which case, the Municipal Aggregator will submit a "supplier drops customer" transaction, in accordance Section 5B below. Upon such transaction, the Customer will be returned to Basic Service; or

(c) the Company, provided such notification shall only be valid after the Municipal Aggregator has enrolled the Customer to its Generation Service. Prior to such enrollment, the Customer shall be referred to the Municipal Aggregator to renew the Opt-Out notification with the Municipal Aggregator. If the Customer provides a valid Opt-Out notification to the Company, the Company will submit a "customer drops supplier" transaction, in accordance with Section 5B below. Upon such transaction, the Customer will be returned to Basic Service.

3B. Distribution Company

The Company shall:

(1) Arrange for or provide (i) regional network transmission service over ISO-NE PTF and (ii) local network transmission service from ISO-NE PTF to the Company's Distribution System for each Customer, unless the Customer or its Municipal Aggregator otherwise arranges for such service;

(2) Deliver power over distribution facilities to each Customer Delivery Point;

(3) Provide customer service and support for Distribution Service and, if contracted by the Municipal Aggregator, for Generation Service in accordance with Section 8B.3 below;

(4) Respond to service interruptions or power quality problems;

(5) Handle connections and terminations;

(6) Read meters;

(7) Submit bills to Customers for Distribution Service and, if contracted by the Municipal Aggregator, for Generation Service in accordance with Section 8B below;

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(8) Address billing inquiries for Distribution Service and, if contracted by the Municipal Aggregator, for Generation Service in accordance with Section 8B.3 below;

(9) Answer general questions about Distribution Service;

(10) Report Municipal Aggregators' estimated and metered loads, including local network transmission and distribution losses, to the ISO-NE, in accordance with Section 9 below;

(11) Process the electronic business transactions submitted by Municipal Aggregators, and send the necessary electronic business transactions to Municipal Aggregators, in accordance with Section 5, below, and the rules and procedures set forth in the EBT Working Group Report;

(12) Provide information regarding, at a minimum, rate tariffs, billing cycles, and load profiles, on its Internet website or by alternate electronic means;

(13) Provide the following information to Municipal Aggregators before aggregation plan begins: primary customer name, first four characters of last name (required for EBT enrollment purposes), account number (required for EBT enrollment purposes), service address, mailing address for solicitation purposes, distribution rate, and generation indicator (Basic or Competitive);

(14) Provide Basic Service to Customers in accordance with the Company's tariff; and

(15) Provide a list of customers eligible for the Municipal Aggregation, which shall include: (i) Customers receiving Basic Service, (ii) Customers receiving Basic Service and also enrolled in a green power product that allows Customers concurrent enrollment in Basic Service and Competitive Supply, including Generation Service through a Municipal Aggregation, and (iii) Customers who have requested that their contact information not be shared with Competitive Suppliers; and shall exclude: (i) Customers receiving Competitive Supply, (ii) Customers receiving Basic Service and also enrolled in a green power product that does not allow Customers concurrent enrollment in Basic Service and Competitive Supply, including Generation Service through a Municipal Aggregation, and (iii) Customers who have requested from the Distribution Company that they not be enrolled in Competitive Supply, which encompasses Generation Service through a Competitive Supplier or Municipal Aggregator.

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3C. Municipal Aggregator

The Municipal Aggregator shall designate a Competitive Supplier, and notify the Company of its designation. If at any time the Municipal Aggregator changes Competitive Supplier, it shall provide notice of such change to the Company. Notice shall be as provided in writing or by electronic mail, as provided in the Service Agreement. In order to initiate and maintain the Municipal Aggregation, the Municipal Aggregator, either directly or through its relationship with the Competitive Supplier servicing the load of the Municipal Aggregation, as applicable, shall:

(1) Meet the registration and licensing requirements established by law or regulation and either (i) have a fully executed a Market Participant Service Agreement ("MPSA") with ISO-NE that has been approved by the Commission in accordance with Subsection 7.1 of the MPSA and ISO-NE has not filed with the Commission a notice of termination of such MPSA or (ii) have an agreement in place with an ISO-NE member whereby the ISO-NE member agrees to include the load to be served by the Municipal Aggregator in such ISO-NE member's NEPOOL market settlement obligations;

(2) Provide all-requirements service to meet each of its Customers' needs and to deliver the associated capacity and energy to a point or points on ISO-NE PTF;

(3) Be responsible for any and all losses incurred on (i) local network transmission systems and distribution systems, as determined by the Company; (ii) ISO-NE PTF, as determined by the ISO-NE; and (iii) facilities linking generation to ISO-NE PTF, and also be responsible for all transmission wheeling charges necessary to reach ISO-NE PTF;

(4) Complete testing of the transactions included in the EBT Working Group Report prior to the initiation of Generation Service to any Customer in the Company's service territory, and such testing shall be in accordance with the rules and procedures set forth in the Report;

(5) Enter into a service agreement with the Distribution Company, prior to the initiation of Generation Service to any Customer in the Company's service territory, that provides information to the Distribution Company about the specific parameters of the Municipal Aggregation;

(6) Provide information and educate the Customer on Municipal Aggregation. The information must include the Customer's right of rescission period, as applicable, and the Opt-Out option. The Opt-Out notice must be sent by the Municipal Aggregator as a separate mailing in such manner as reasonably presented to draw to the attention of each Customer to the importance of the decision the Customer must make. Such notice shall at a minimum provide:

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a. Notification to the Customers that the Municipal Aggregator will automatically enroll them in the Municipal Aggregator's retail load aggregation program by a date certain, which shall be within 30 days of the date the Municipal Aggregator is fully operational;

b. Information about the Customers' rights to Opt-Out;

c. Notification that specific information will be released unless the Customer requests not to; and

(7) Provide as much notice as possible of an event of default by the Competitive Supplier or Municipal Aggregator under the supply contract between the two which would trigger the suspension or early termination of the supply contract, so that the Company can prepare to return the Customers to Basic Service.

4. Pre-Enrollment Information

4A. Upon authorization by a duly designated officer of a municipality, the Company shall provide aggregate consumption usage information to the city/town's Municipal Aggregator to facilitate the formation of a Municipal Aggregation program.

4B. Upon the M.D.P.U.'s approval of the Municipal Aggregator and its retail load aggregation plan pursuant to the M.G.L. c. 164, §134, the Company shall provide the customer enrollment information to the Municipal Aggregator in an electronic format (to be determined by Company) that will include the account number, first four characters of the Customer's last name, and service address.

5. Initiation and Termination of Generation Service

5A. Initiation of Generation Service

Within 30 days that a Municipal Aggregator is fully operational, the Municipal Aggregator shall ensure that all Customers who are within the area the Municipal Aggregator intends to serve and who have not exercised their Opt-Out right, are properly enrolled to receive Generation Service from the Municipal Aggregator. For each such Customer, the Municipal Aggregator shall submit an "enroll customer" transaction to the Company, in accordance with the rules and procedures set forth in the EBT Working Group Report. The Municipal Aggregator and its designated Competitive Supplier shall hold the "enroll customer" transaction until any applicable right of rescission has lapsed.

If the information on the enrollment transaction is correct, the Distribution Company shall send the Municipal Aggregator or, if requested, its designated Competitive Supplier a "successful enrollment" transaction, in accordance with the rules and procedures set forth in the EBT Working Group Report. Generation Service shall commence on the date of the Customer's next

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scheduled meter read, provided that the Municipal Aggregator or its designated Competitive Supplier has submitted the enrollment transaction to the Distribution Company no fewer than two business days prior to the meter read date. If the Municipal Aggregator or its designated Competitive Supplier has not submitted the enrollment transaction at least two days before the meter read date, Generation Service shall commence on the date of the Customer's subsequent scheduled meter read.

If Distribution Company receives multiple enrollment transactions for a given Customer from different Municipal Aggregators and/or Competitive Suppliers during the same enrollment period, the first transaction that is received by the Distribution Company shall be accepted. All other transactions shall be rejected. Rejected transactions may be resubmitted during the Customer's next enrollment period.

5B. Exercise of Opt-Out/Termination of Municipal Aggregator Generation Service

If a Customer seeks to Opt-Out of the Aggregation before being enrolled to receive Generation Service from a Municipal Aggregator, the Customer shall notify the Municipal Aggregator. Efforts by the Customer to notify the Distribution Company of such an Opt-Out prior to the Customer's enrollment shall be invalid. Upon such notification, the Municipal Aggregator and its designated Competitive Supplier shall refrain from submitting an "enroll customer" transaction for such Customer pursuant to Section 5A above.

If a Customer Opts-Out of the Municipal Aggregation after being enrolled to receive Generation Service from a Municipal Aggregator, or if the Customer otherwise chooses to terminate its receipt of Generation Service from said Municipal Aggregator, and the Customer notifies the Municipal Aggregator, the Municipal Aggregator or its designated Competitive Supplier shall submit a "supplier drops customer" transaction, in accordance with the rules and procedures set forth in the EBT Working Group Report. The Distribution Company shall send a "confirm drop date" transaction to the Municipal Aggregator or its designated Competitive Supplier, in accordance with the rules and procedures set forth in the EBT Working Group Report. Generation Service shall be terminated on the date of the Customer's next scheduled meter read, provided that the Municipal Aggregator or its designated Competitive Supplier has submitted this transaction to the Distribution Company no fewer than two business days prior to the meter read date. If the Municipal Aggregator or its designated Competitive Supplier has not submitted this transaction at least two days before the meter read date, Generation Service shall be terminated on the date of the Customer's subsequent scheduled meter read. Upon such notification, the Municipal Aggregator or its designated Competitive Supplier shall refrain from submitting an "enroll customer" transaction for such Customer pursuant to Section 5A above.

If a Customer Opts-Out from the Municipal Aggregation after being enrolled to receive Generation Service from a Municipal Aggregator, or if the Customer otherwise chooses to terminate its receipt of Generation Service from said Municipal Aggregator, and the Customer informs the Distribution Company directly, Generation Service shall be terminated within two business days for residential customers; for other customers, Generation Service shall be

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terminated on the date of the Customer's next scheduled meter read. The Distribution Company shall send a "customer drops supplier" transaction to the Municipal Aggregator or its designated Competitive Supplier, in accordance with the rules and procedures set forth in the EBT Working Group Report.

In those instances when a Customer who is receiving Generation Service from a Municipal Aggregator wishes to initiate Generation Service with an unrelated Competitive Supplier, the Competitive Supplier shall submit an "enroll customer" transaction pursuant to the EBT Working Group Report, and the timing of the termination of Generation Service by the Municipal Aggregator and commencement of Generation service by the Competitive Supplier shall be governed by Company's Terms and Conditions for Competitive Suppliers.

5C. Customer Moves

A Customer that moves within a Distribution Company's service territory and remains within the Municipal Aggregator's service territory shall have the opportunity to notify the Distribution Company that it seeks to continue Generation Service with its existing Municipal Aggregator. Upon such notification, the Distribution Company shall send a "customer move" transaction to the Municipal Aggregator or its designated Competitive Supplier, in accordance with the rules and procedures set forth in the EBT Working Group Report.

A Customer that moves within a Distribution Company's service territory and does not remain within the Municipal Aggregator's service territory shall receive Basic Service in accordance with the Company's applicable tariff. The Distribution Company shall notify the Municipal Aggregator or its designated Competitive Supplier via a "final bill indicator" as described in the EBT Working Group Report.

In those instances when a Customer moves into a Distribution Company's service territory and resides within the Municipal Aggregator's service territory, the Customer will not be assigned to the Municipal Aggregator until the Municipal Aggregator or its designated Competitive Supplier submits an "enroll customer" transaction for such Customer in accordance with Section 5D below. Prior to such "enroll customer" transaction, the Customer shall receive Basic Service, in accordance with the Company's applicable tariff.

5D. Request for Service Post-Implementation of a Municipal Aggregation Plan

The Company will inform customers that a complete listing of Competitive Suppliers and Municipal Aggregators is available via the Internet or the Company will mail a listing to the customer if desired.

To facilitate enrollment in a Municipal Aggregator's on-going plan, the Company will electronically transmit the name, address and existing supply option of the new customer to the Municipal Aggregator to facilitate the notification and Opt-Out requirements of the program. Once the appropriate notification has been provided to the Customer and applicable Opt-Out

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requirements met, the Municipal Aggregator or its designated Competitive Supplier may electronically enroll the Customer by submitting an "enroll customer" transaction to the Company, in accordance with the rules and procedures set forth in the EBT Working Group Report.

5E. Other Provisions

Distribution Companies and Municipal Aggregators or their designated Competitive Suppliers shall send "change enrollment detail" transactions to change any information included on the "enroll customer" transactions, in accordance with the rules and procedures set forth in the EBT Working Group Report.

If any of the transactions described above are rejected by the Distribution Company, the Distribution Company shall send an "error" transaction to the Municipal Aggregator or its designated Competitive Supplier identifying the reason for the rejection, in accordance with the rules and procedures set forth in the EBT Working Group Report.

5F. Fees

The Company may charge fees to Municipal Aggregators for processing the transactions described above, as approved by the M.D.P.U. These fees are included in Appendix A.

6. Distribution Service Interruption

6A. Planned Outages

In the event that the loading of the Distribution System, or a portion thereof, must be reduced for safe and reliable operation, such reduction in loading shall be proportionately allocated among all Customers whose load contributes to the need for the reduction, when such proportional curtailments can be accommodated within good utility practice.

6B. Unplanned Outages

In the event of unplanned outages, service will be restored in accordance with good utility practice. When appropriate, service restoration shall be accomplished in accordance with the Company's Emergency Response Plan on file with the M.D.P.U.

6C. Disconnection of Service

The Distribution Company may discontinue Distribution Service to a Customer in accordance with the provisions set forth in the Terms and Conditions for Distribution Service. The Company shall provide electronic notification, using the "customer usage and billing information" transaction, to the Customer's Municipal Aggregator or its designated Competitive Supplier of record upon final billing to the Customer. Once disconnection occurs, the provision of

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Generation Service to the Customer is no longer the obligation of the Municipal Aggregator. The Company shall not be liable for any revenue losses incurred by Municipal Aggregator or its designated Competitive Supplier as a result of any such disconnection.

Any disconnected Customer that returns to eligibility for Distribution Service may have both Distribution Service from the Company and Generation Service from the Municipal Aggregator reinstated, but if the reinstatement takes place more than ten (10) days after the disconnection, such reinstatement shall be treated in the same manner as initiation of new service pursuant to Section 5A above.

7. Metering

7A. Meter Reading

The Company shall meter each Customer in accordance with applicable tariff provisions. Upon successful enrollment of a Customer by a Municipal Aggregator, the Company shall schedule meter reads on a monthly cycle.

Each Customer shall be metered or estimated such that the loads can be reported to the ISO-NE for inclusion in the Municipal Aggregator's NEPOOL market settlement obligations, or the Municipal Aggregator's designated Competitive Supplier's NEPOOL market settlement obligations.

7B. Ownership of Metering Equipment

Should a Customer or a Municipal Aggregator request a new meter or that a communication device be attached to the existing meter, the Company shall provide, install, test, and maintain the requested metering or communication device. The requested meter or communication device must meet the Company's requirements. The Customer or Municipal Aggregator shall bear the cost of providing and installing the meter or communication device. Upon installation, the meter or communication device shall become the property of the Company and will be maintained by the Company. The Company shall complete installation of the meter or communication device, if reasonably possible, within thirty (30) days of receiving a written request from the Customer or Municipal Aggregator. The Company shall bill the Customer or Municipal Aggregator upon installation.

8. Billing

The Company shall provide a single bill, reflecting unbundled charges for electric service, to Customers who receive Basic Service.

The Company shall offer two billing service options to Customers receiving Generation Service from Municipal Aggregators: (1) Standard Complete Billing Service; and (2) Standard Passthrough Billing

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Service. The Municipal Aggregator shall inform the Distribution Company of the selected billing option, in accordance with the rules and procedures set forth in the EBT Working Group Report.

8A. Standard Passthrough Billing Service

The Company shall issue a bill for Distribution Service to each Customer. The Municipal Aggregator shall be responsible for separately billing its Customers for the cost of Generation Service provided by the Municipal Aggregator and for the collection of amounts due to the Municipal Aggregator from the Customer.

The Company shall send a "customer usage information" transaction to the Municipal Aggregator or its designated Competitive Supplier, in accordance with the rules and procedures set forth in the EBT Working Group Report.

8B. Standard Complete Billing Service and Purchase of Receivables Program

1. Eligibility for Purchase of Receivables ("POR") Program

Competitive Suppliers that choose the Standard Complete Billing service, either for all or a portion of their customer accounts in a class ("Participating Competitive Suppliers") will be required to sell their accounts receivable to the Company relating to Generation Service for those customers for whom the Company issues a Standard Complete Bill.

2. Billing Procedure

The Company shall issue a single bill for electric service to each Customer. The Municipal Aggregator shall provide to the Company its designated Competitive Supplier's legal name, the rate, the price structure, and customer service telephone number. The Company shall use the rates supplied by the Municipal Aggregator to calculate the Municipal Aggregator's portion of Customer bills, and integrate this billing with its own billing in a single mailing to the Customer. The Company shall send a "customer usage and billing information" transaction to the Municipal Aggregator or its designated Competitive Supplier, in accordance with the rules and procedures set forth in the EBT Working Group Report.

The Municipal Aggregator must notify the Company of any changes to the Municipal Aggregator's rates at least five (5) days before such rates are to be effective, and the Municipal Aggregator must notify the Company of any new rates and charges to that the Municipal Aggregator seeks to impose at least ten (10) days before such rates or charges are to be effective

The Company shall send a "payment/adjustment" transaction to the Municipal Aggregator or its designated Competitive Supplier, in accordance with rules and procedures set forth in the EBT Working Group Report, or in accordance with a

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negotiated, uniform set of rules and procedures that apply to all Competitive Suppliers participating in the Company's POR program. Customer revenue due to the Municipal Aggregator or its designated Competitive Supplier shall be transferred to the Municipal Aggregator or its designated Competitive Supplier in accordance with the service contract entered into by the Municipal Aggregator and the Company, calculated in the manner described in paragraph 8B.2.b, below.

The Municipal Aggregator shall promptly notify the Distribution Company of any billing errors or miscalculations it believes it has occurred.

a. Timing of Payment to Competitive Suppliers

The payment to Competitive Suppliers of the amounts computed in accordance with the provisions of paragraph 8B.2.b, below, shall be made consistent with the average payment period of the relevant Customer Class.

Unless otherwise ordered by the M.D.P.U., the average payment period shall be based on actual historical data for the most recent 12-month period for which data is available in the relevant classification, or other appropriate period, as approved by the M.D.P.U. On or about March 15 of each year, the Company shall file with the M.D.P.U. data on the average historical payment period that will be in place for the subsequent year beginning May 1. The Standard Complete Billing Percentage computed in accordance with the provisions of paragraph 8B.2.b, below, will remain in effect for the entire year, unless otherwise approved by the M.D.P.U.

b. Amount of Payment to Competitive Suppliers

The Company shall pay the Competitive Supplier the full amounts due from Customers for Generation Service, less (a) the full amounts due from Customers for Generation Service multiplied by (b) the Standard Complete Billing Percentage as defined below. For any customer that has elected Budget Billing, the full amounts due for Generation Service shall be based on the customer's actual usage, rather than the amount the customer is billed under the Company's Budget Billing Program. In all other instances, the full amounts due for Generation Service shall be based on the amount actually billed to the customer.

On or about March 15 of each year, the Company shall file with the M.D.P.U. the said percentages that will be in place for the subsequent year beginning May 1. The percentages will remain in effect for the entire year unless otherwise approved by the M.D.P.U. The percentages shall be computed in accordance with the following formula:

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$SCBP_{CC} = UP_{CC} + ACP_{CC} + PPRP_{CC}$

Where

CC = The Customer Class defined as Customers in a rate class or classes as designated by the Company and approved by the M.D.P.U.

For purposes of this calculation, Customer Classes are defined as follows:

"Residential" shall mean those customers receiving retail delivery service on the following tariffs of the Company: Regular Residential Rate R-1 and Income-Eligible Residential Rate R-2.

"Commercial" shall mean those customers receiving retail delivery service on the following tariffs of the Company: General Service - Small Commercial and Industrial Rate G-1, Streetlighting Rates S-1, S-2, S-3, S-5 and S-6.

"Industrial" shall mean those customers receiving retail delivery service on the following tariffs of the Company: General Service – Demand Rate G-2 and Time-of-Use Rate G-3.

$SCBP_{CC}$ = Standard Complete Billing Percentage for the Customer Class to be multiplied by the full amounts due from Customers for Generation Service and to be deducted from the full amounts due for Generation Service.

UP_{CC} = Uncollectible Percentage is the uncollectible expense for the participating Customer Class, exclusive of uncollectible expenses for existing receivables described in section 8B.3, based on actual data for the most recent period for which data is available prior to the annual filing (or other appropriate period approved by the M.D.P.U.), divided by the total amounts billed by the Company, including late payment fees if included in uncollectible expense, to that participating Customer Class for the same period. The period to be used for purposes of calculating the Uncollectible Percentage shall be the same period the Company uses for calculating its uncollectible costs associated with the amounts the Company bills for Basic Service supply.

During the first year of program operation, the Uncollectible Percentage is the uncollectible expense for the participating Customer Class based on actual data, excluding uncollectible expenses related to amounts billed by the Company for Generation Service purchased from Competitive Suppliers, divided by the total

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amounts billed by the Company, including late payment fees if included in uncollectible expense and excluding amounts billed by the Company for Generation Service purchased from Competitive Suppliers, to that participating Customer Class. The period used to calculate the first year Uncollectible Percentage will be the same period as that used/reflected in the calculation of its uncollectible costs associated with the amounts the Company bills for Basic Service supply.

ACP_{CC} = Administrative Cost Percentage is total forecasted Administrative Costs to be recovered for the subsequent year divided by the total amounts billed for Generation Service by the Company for the most recent 12-month period for which data is available prior to the annual filing.

Administrative Costs shall include the amortization of costs over three years, including carrying costs calculated at the Company's short-term borrowing rate, directly related to the development and implementation of changes to billing, information and accounting systems directly related to the implementation of the billing procedures necessary to incorporate a Purchase of Receivables program into Standard Complete Billing Service as instituted in accordance with Section 60 of Chapter 169 of the Acts of 2008 and ongoing administrative costs directly associated with providing such Standard Complete Billing Service, to the extent approved by the M.D.P.U.

$PPRP_{CC}$ = Past Period Reconciliation Percentage for the Customer Class is the sum of the following three percentages:

1) the percentage associated with the difference between estimated uncollectible expense reflected in the SCBPcc applied to the full amounts due to Participating Competitive Suppliers for the applicable 12-month period and the actual uncollectible expense incurred over the same 12-month period, calculated as:

   (i) the difference between (a) the uncollectible expenses actually experienced for previous year(s) for Customers in the Customer Class for which the Company actually billed under Standard Complete Billing over the applicable 12-month period, calculated by multiplying the total amounts actually billed to Customers in the Customer Class under Standard Complete Billing over the applicable 12-month period by the actual UP_{CC} for the same twelve month period,

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and (b) the total amounts actually billed to Customers in the Customer Class under Standard Complete Billing over the applicable 12-month period multiplied by the applicable UP_{CC} from the previous year, plus

(ii) the difference between (a) the uncollectible expenses actually experienced associated with the purchase of existing receivables from Participating Competitive Suppliers and (b) the total amounts actually deducted from payments to Participating Competitive Suppliers for the purchase of their existing receivables.

(ii) divided by the total amounts billed to Customers in the Customer Class under Standard Complete Billing for the same 12-month period.

2) the difference between (a) the Administrative Costs actually incurred for previous year(s) for Customers in the Customer Class purchasing Generation Service from Competitive Suppliers; and (b) the total amounts actually billed to Customers in the Customer Class for Generation Service purchased from Competitive Suppliers for those years times the applicable ACP_{CC}, divided by the total amounts billed to Customers in the Customer Class purchasing Generation Service from Competitive Suppliers by the Company for the most recent 12-month period for which data is available prior to the annual filing.

3) Interest calculated on the average monthly balance of the Past Period Reconciliation using the customer deposit rate in 220 CMR 26.09, divided by the total amounts billed to Customers in the Customer Class for Generation Service purchased from Competitive Suppliers by the Company for the most recent 12-month period for which data is available prior to the annual filing. The rate of interest, effective February 1 of each year, shall be the equivalent of the rate paid on two-year, United States Treasury notes for the preceding 12 months ending December 31.

c. Information Required to be Filed with the M.D.P.U.

Information pertaining to the annual filing pursuant to paragraph 8B.2.a, and paragraph 8B.2.b, above, and any other filings to seek changes to the above provisions, shall be fully documented and include updated information relating to

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preliminary reconciliation data for the year in which the filing is made, with actual reconciliation amounts to be submitted the subsequent year.

3. Implementation of POR Program – Existing Receivables

Pursuant to the terms of a service contract applicable to the POR program, the Company paid Participating Competitive Suppliers for amounts already existing as outstanding accounts receivables of the Participating Competitive Suppliers at the commencement of the Company's POR program. The amounts purchased for the Existing Receivables shall be subject to full reconciliation in accordance with the $PPRP_{CC}$ provision in paragraph 8B.2.b above.

4. Security Interests

Pursuant to the terms of a service contract applicable to the POR program, Participating Competitive Suppliers shall grant the Company a first priority perfected security interest in the accounts receivable that the Company will be purchasing through its POR program. A Participating Competitive Supplier shall be authorized by the Company to place a security interest on the accounts receivable from the Company to the Participating Competitive Supplier associated with the purchase by the Company of the Participating Competitive Supplier's accounts receivable.

5. Changes to Rate Classes

If a Municipal Aggregator requests different customer classes or rate structures than are offered by the Company, the Company shall accommodate changes to the billing system, if reasonably possible, at the Municipal Aggregator's expense. The costs of making the designated changes shall be estimated by the Company to the Municipal Aggregator prior to the start of programming.

6. Optional Customer Services

Upon request by a Municipal Aggregator, the Company may offer optional customer services to those Municipal Aggregators who receive Standard Complete Billing Service. Pricing for these optional services shall be customized to the Municipal Aggregator's needs, and shall be dependent on the specific customer services required by the Municipal Aggregator, the volume of Customer calls, requested coverage hours, and/or the specific number of customer service representatives requested.

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7. Summary Billing

The Company may offer a Summary Billing option to Customers who qualify by having multiple electric service accounts. Summary Billing is designed to consolidate multiple individual bills onto a single bill format, this optional service allows Customers to pay multiple bills with one check.

8. Existing Fees

Existing Company service fees, such as interest charges for unpaid balances and bad check charges, shall remain in effect and shall be assessed, as applicable, according to the Company's Terms and Conditions for Distribution Service, applicable to all Customers.

8C. Definition of Standard Units of Service

1. Billing Demand

Units of billing demand shall be as defined in the Company's applicable tariffs on file with the M.D.P.U.

2. On-Peak/Off-Peak Period Definitions

The on-peak and off-peak periods shall be as defined in the Company's applicable tariffs on file with the M.D.P.U.

Municipal Aggregators may define on-peak and off-peak periods differently from those above; however, they will be required to make special metering arrangements with the Company to reflect different on-peak and off-peak definitions. Any costs incurred to provide the special metering arrangements shall be assigned to the Municipal Aggregator.

8D. Fees

The Company may charge fees to Municipal Aggregators for providing the services described in this section of the Terms and Conditions, as approved by the M.D.P.U. These fees are included in Appendix A.

9. Determination of Hourly Loads

9A. For each Municipal Aggregator, hourly loads for each day shall be estimated or telemetered and reported daily to the ISO-NE for inclusion in the Municipal Aggregator's NEPOOL market settlement obligations. Hourly load estimates for non-telemetered customers will be based upon load profiles developed for each customer class or

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Customer of the Company. The total hourly loads will be determined in accordance with the appropriate hourly load for the Company.

9B. The Company shall normally report a day's hourly loads to the ISO-NE by the time specified in the NEPOOL Rules. These loads shall be included by ISO-NE in the Municipal Aggregator's NEPOOL market settlement obligations.

9C. To refine the estimates of the Municipal Aggregator's loads that result from the estimated hourly loads, a monthly calculation shall be performed to incorporate the most recent customer usage information, which is available after the monthly meter readings are processed.

9D. The hourly loads shall be determined consistent with the following steps:

(1) The Company shall identify or develop a load profile for each customer class or each Customer for use in each day's daily determination of hourly load.

(2) The Company shall calculate a usage factor for each Customer that reflects the Customer's relative usage level.

(3) The Company shall develop estimates of hourly load profiles for the previous day for each Municipal Aggregator such that the sum of the Municipal Aggregator's loads equals the hourly metered loads collected each day. Distribution losses, which are included in the hourly metered Company loads, shall be fully allocated into Municipal Aggregator loads.

(4) Transmission losses from local network facilities shall be approximated and added to the Municipal Aggregator's hourly loads.

9E. The process of Municipal Aggregator load estimation involves statistical samples and estimating error. The Distribution Company shall not be responsible for any estimating errors and shall not be liable to the Municipal Aggregator or its designated Competitive Supplier for any costs that are associated with such estimating errors.

10. Liability

The liability of the Municipal Aggregator to the Customer shall be as set forth in the terms of the Municipal Aggregation.

To the extent allowed under Massachusetts law and except in the case of negligence or bad faith conduct, the Company and the Municipal Aggregator shall waive recourse against the other party and its affiliates for or arising from the performance or non-performance by such other party of its obligations under these Terms and Conditions.

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APPENDIX A

SCHEDULE OF FEES AND CHARGES

The following fees and charges shall be a part of the Terms and Conditions for Municipal Aggregators.

1. ISO Reporting Set-Up and Transaction Fee

The Company may assess an ISO Reporting Set-Up and Transaction Fee for establishing the reporting protocol for an individual customer account that would enable the Company to report the customer's load data to ISO-NE on behalf of a Municipal Aggregator along with the daily reporting to ISO-NE of customer loads from the prior day. The ISO-NE Reporting Set-Up and Transaction Fee of eighty dollars ($80) per account will be charged to and collected from all Municipal Aggregators who request the Company to report individual customer account load data to the ISO-NE as a result of providing programs and services to their customers beyond the provision of basic Generation Service.

2. Enhanced Metering Fee

The Company may assess an Enhanced Metering Fee, as provided for in the Company's Optional Enhanced Metering Service tariff, M.D.P.U. No. 1318, as may be amended from time to time, for customers of Municipal Aggregators that require such metering in order to provide program and services beyond the provision of basic Generation Service. The Enhanced Metering Fees contained in the Optional Enhanced Metering Service tariff, Options 1 and 2, will be charged to and collected from all Municipal Aggregators who request the Company to install such metering devices in order for their customers to participate in programs and services, including, but not limited to, load response programs which require wireless or telemetered installations.