

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY

TARIFF FOR BASIC SERVICE

1. General

This Tariff may be revised, amended, supplemented or supplanted in whole or in part from time to time according to the procedures provided in MDPU regulations and Massachusetts law. In case of conflict between this Tariff and any orders or regulations of the MDPU, said orders or regulations shall govern.

2. Definitions

“Basic Service” shall mean the service provided by the Distribution Company to a Customer who is not receiving either Generation Service from a Competitive Supplier in accordance with the provisions set forth in this tariff.

“Competitive Supplier” shall mean any entity licensed by the MDPU 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.

“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.

“Conservation Day” shall mean any day in which a Peak Event occurs.

“Customer-Facing” shall mean the components of the Smart Energy Solutions Program which supports a dynamic pricing program available to eligible Basic Service customers located within the Smart Grid Pilot Area and includes the installation of Smart Metering, in-home energy management technologies and supporting technologies.

“Distribution Company” or “Company” shall mean Massachusetts Electric Company or Nantucket Electric Company.

“Distribution Grid-Facing” shall mean the component of the Smart Energy Solutions Program which includes the deployment of automated distribution system monitoring and control technologies on the Company’s electric distribution system facilities within the Smart Grid Pilot Area and supporting technologies.

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

“Generation Service” shall mean the sale of electricity, including ancillary services such as the provision of reserves, to a Customer by a Competitive Supplier.

“Load Zone” shall mean any one of the three reliability regions identified on ISO New England’s website for Massachusetts as defined by ISO New England, as may be amended from time-to-time.

“Locational Marginal Pricing” shall mean the wholesale electric power market system administered by ISO New England, wherein the market prices for electricity are dependent upon the location of production and consumption.

“MDPU” shall mean the Massachusetts Department of Public Utilities.

“Smart Grid Pilot Area” shall mean any area designated by the Company which has customers having the appropriate equipment to actively participate in the Smart Energy Solutions Program.

“Smart Meter” shall mean an advanced digital meter installed as a part of the Smart Energy Solutions Program approved by the MDPU that has enhanced metering capabilities to record usage data at a more detailed level and can communicate remotely to the Distribution Company.

“Smart Pricing” shall mean Basic Service provided by the Distribution Company to Customers who are located in an area designated as a Smart Grid Pilot Area, and are eligible to participate in and have not opted out of the Smart Energy Solutions Program. Smart Pricing refers specifically to Smart Rewards Pricing and the Conservation Day Rebate.

“Smart Energy Solutions Program” shall mean the Company’s smart grid pilot proposal approved by the MDPU in Docket D.P.U. 11-129.

“Standard Basic Service” shall mean Basic Service provided by the Distribution Company to Customers who are not located in an area designated as a Smart Grid Pilot Area and Customers who are located in the Smart Grid Pilot Area but not participating in Smart Rewards Pricing.

3. Availability

Basic Service shall be available to any new Customer or any Customer who, for any reason, has stopped receiving Generation Service from a Competitive Supplier. All Customers are eligible for Standard Basic Service and only Customers in the Smart Grid Pilot Area are eligible for Smart Pricing.

4. Rates

(a) Two Rate Options

There are two rate options available to Customers on Standard Basic Service. The Supplemental Schedule to this tariff sets forth the rate options for each rate class for the specified six month period. One option is referred to as the "Fixed Price Option". The second option is referred to as the "Variable Price Option". The rates for each option are subject to change at the end of the six month period specified in the Supplemental Schedule for customer classes defined in Sections 4(b)(i), 4(b)(ii), and 4(b)(iii), and quarterly for customer classes defined in Sections 4(b)(iv) and 4(b)(v).

(b) Initial Applicable Option

The following Customers will automatically be placed by the Company on the Fixed Price Option, unless they otherwise make an election under sections (c) and (d) below:

- (i) residential Customers in rate classes R-1, R-2, R-4, and E; and
- (ii) small commercial & industrial Customers in rate class G-1.

The following Customers will automatically be placed by the Company on the Variable Price Option, unless they otherwise make an election under sections (c) and (d) below:

- (iii) streetlight Customers in rate classes S-1, S-2, S-3, S-5, S-6, and S-20;
- (iv) medium commercial & industrial Customers in rate class G-2; and
- (v) large commercial & industrial Customers in rate class G-3.

(c) One-Time Right to Elect Different Option

Customers have a one-time right to elect an option other than the one they are automatically placed on by the Company. However, once the election is made, such Customers will be required to remain on the elected option during their uninterrupted stay on Standard Basic Service unless and until they begin taking Generation Service from a Competitive Supplier. Standard Basic Service Customers may make this election at the time they are first placed on Standard Basic Service or at any time after service has commenced.

(d) Timing of Any Switch to a Different Option

Customers may notify the Company at any time to elect a different pricing option. The switch will be made by the Company on the next scheduled meter read date after receiving the notice, provided that the Company has received notice no later than two business days prior to the next meter read date. Otherwise, the switch will not occur until

the next successive meter read date after receipt of the notice.

(e) Changes in the Supplemental Schedule

The Company will file a new Supplemental Schedule quarterly for the next applicable period prior to the expiration of the current period.

(f) Calculation of Fixed and Variable Pricing Options

The Company calculates the Fixed and Variable Pricing Options based on bids received and accepted by the Company from suppliers. The Fixed Price Option represents a weighted average of the applicable winning bid over six months. The Variable Price Option represents the actual monthly price from the applicable winning bid for each month of the same six month period.

(g) Billing Adjustment when Leaving Basic Service

Customers receiving retail delivery service under the Company's medium and large commercial and industrial rates as defined in 4(b)(iv) or (v) above and receiving Standard Basic Service under the Fixed Price Option who leave Standard Basic Service to receive Generation Service from a Competitive Supplier shall be subject to a billing adjustment for the time they were billed under the Fixed Price Option during the last applicable pricing period. Specifically, the billing adjustment shall be based on the difference between the rate under the Fixed Price Option for the last applicable pricing period during which the Customer was on Standard Basic Service and the monthly rates under the Variable Price Option for the same period, multiplied by the Customer's kilowatt-hour usage during the same period. The billing adjustment can be either a charge or a credit, depending upon the rates in effect at the time.

(h) Locational Marginal Pricing

The Company will reflect the effects of Locational Marginal Pricing in its Standard Basic Service rates to medium and large commercial and industrial customers as defined in 4(b)(iv) or (v), above. For these customer groups, the Company will provide unique Standard Basic Service rates under the Fixed Price Option and Variable Price Option for each of the Load Zones in which the Company provides service. For Customers receiving retail delivery service under the Company's residential rates, small commercial and industrial rates, or streetlighting rates as defined in 4(b)(i), (ii), or (iii), above, the Company will provide uniform Standard Basic Service rates under the Fixed Price Option and Variable Price Option across all of the Load Zones in which the Company provides service.

The Company shall assign to each Customer's account a Load Zone designation based on the normal supply facility (substation, feeder, transformer) of that Customer listed in the

Company's customer information system for the purpose of implementing Locational Marginal Pricing in accordance with NEPOOL's Standard Market Design. The Load Zone designation of a Customer's account is subject to change as a result of changes in the normal supply facility designation in the Company's customer information system.

5. Billing

Each Customer receiving Basic Service shall receive one bill from the Company, reflecting unbundled charges for their electric service.

6. Initiation of Basic Service

Basic service may be initiated in any of the following manners:

- a. A Customer who is receiving Generation Service from a Competitive Supplier notifies the Distribution Company that he wishes to terminate such service and receive Basic Service. In this instance, Basic Service shall be initiated within two (2) business days of such notification for residential Customers. For other Customers, Basic Service shall be initiated concurrent with the Customer's next scheduled meter read date, provided that the Customer has provided such notification to the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers. If the Customer provided such notification fewer than two (2) days before the Customer's next scheduled meter read date, Basic Service shall be initiated concurrent with the Customer's subsequent scheduled meter read date;
- b. A Competitive Supplier notifies the Distribution Company that it shall terminate Generation Service to a Customer. In this instance, Basic Service shall be initiated for the Customer concurrent with the Customer's next scheduled meter read date, provided that the notice of termination of Generation Service is received by the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers. If the notice of termination is received fewer than two (2) days before the Customer's next scheduled meter read date, Basic Service shall be initiated concurrent with the Customer's subsequent scheduled meter read date;
- c. A Competitive Supplier ceases to provide Generation Service to a Customer, without notification to the Distribution Company. In this instance, Basic Service to the Customer shall be initiated immediately upon the cessation of Generation Service; or
- d. A Customer who moves into the Company's service territory who has not

affirmatively chosen a Competitive Supplier.

7. Termination of Basic Service

Basic Service may be terminated by a Customer concurrent with the Customer's next scheduled meter read date provided that notice of initiation of Generation Service by a Competitive Supplier is received by the Company two (2) or more business days before the next scheduled meter read date, in accordance with the Company's Terms and Conditions for Competitive Suppliers.

If the notice of initiation of Generation Service by the Competitive Supplier is received by the Company fewer than two days before the Customer's next scheduled meter read date, Basic Service shall be terminated concurrent with the Customer's subsequent scheduled meter read date.

There shall be no fee for terminating Basic Service.

8. Smart Pricing

(a) Applicability

Except as set forth below, Basic Service will be available under the Smart Pricing provision for eligible Customers who are located within the Smart Grid Pilot Area. Pursuant to the specific requirements set forth below, Customers who have a Smart Meter installed at their service location can opt out of receiving Smart Rewards Pricing under this provision and receive Standard Basic Service.

Customers receiving retail delivery service on Rate R-4, Rate G-3 or Streetlighting Rates S-1, S-2, S-3, S-5, S-6, and S-20 are not eligible for Smart Pricing.

The receipt of service and rendering of bills under this tariff is contingent upon the Company having systems and processes in place to provide the Smart Energy Solutions Program's communication and notification requirements and the Customer having metering, communications, and notification technologies designated by the Company and installed and operational at the Customer's location.

(b) Rates for Smart Pricing

The Supplemental Schedule to this tariff sets forth the applicable charges for each rate class for Smart Rewards Pricing and Conservation Day Rebates as described below for the applicable period. The rates for each rate class are subject to change as provided for in Section 4(e) above. Customers participating in the Smart Energy Solutions Program will be subject to either Smart Rewards Pricing or Conservation Day Rebates.

The rates for retail delivery service are applicable to the Customer under its otherwise-applicable rate schedule.

(i) Smart Rewards Pricing (“SRP”)

1. Availability

Customers receiving retail delivery service on Rate R-1, Rate R-2, Rate G-1, and Rate G-2 in the Smart Grid Pilot Area will be enrolled in SRP unless they have elected to opt out pursuant to Section 8(c). Customers who participate in SRP are not eligible to receive Conservation Day Rebates pursuant to Section 8(b)(ii).

2. Peak, Off-Peak, and Peak Event Periods

Peak pricing shall be applicable during the Peak Period occurring Monday through Friday, excluding holidays from 8:00 a.m. to 8:00 p.m., except during Peak Event Periods.

Off-Peak pricing shall be applicable during the Off-Peak Period, which will be all other hours.

Peak Event pricing shall be applicable during the Peak Event Period. Peak Event hours are unique to each event and represent the duration of a Peak Event initiated by the Company.

The holidays will be: New Year’s Day, Washington’s Birthday, Memorial Day, Independence Day, Columbus Day, Labor Day, Veteran’s Day, Thanksgiving Day, and Christmas Day. All holidays will be the nationally observed day.

3. Peak Events

The Company may, at its discretion, invoke a Peak Event during Peak Periods when the Company determines any of the following conditions exist: there is high system peak demand and/or low generation reserves, system constraints, high wholesale market prices, and/or for testing/evaluation purposes.

4. Number of Peak Events

Peak Events will be limited to 30 per year. Each Peak Event will contain up to eight contiguous hours occurring during the Peak Period. Peak Event hours are limited to a total of 175 hours during any twelve month

period.

5. Notification of Peak Events

The Company will notify Customers of a Peak Event by 4:00 p.m. the afternoon prior to a Conservation Day. Notification will be provided by selected communications devices as offered by the Company and as elected by the Customer at the time of the Customer's enrollment and through direct communication with advanced metering and associated equipment configured to support Smart Pricing.

(ii) Conservation Day Rebates ("CDR")

Customers who opt out of SRP pursuant to Section 8(c) will receive Standard Basic Service with Conservation Day Rebates. A bill credit will be paid for each kWh of actual reduction in consumption during the Peak Event Period. The actual reduction in consumption will be measured using a customer-specific reference level. The bill credit will be applied for any regularly scheduled billing period in which the actual reduction in consumption is greater than zero. If no Peak Events are called or there is no reduction in consumption, then no bill credit will be given.

1. Peak Event

The Company may, at its discretion, invoke a Peak Event as described in Section 8(b)(i)3.

2. Customer-Specific Reference Level ("CRL")

In order to receive a bill credit, a valid reference usage level must be established no later than the occurrence of the first Peak Event of the applicable billing period. A CRL is unique to each customer and will be calculated for each event. The CRL for each regularly scheduled billing period is defined to be the sum of all the CRLs corresponding to all the Peak Events which occur within the regularly scheduled billing period.

A CRL will be:

(a) for each corresponding hour of the Peak Event, the average kW use in each hour, as measured by the Smart Meter, during each of the ten business days (excluding holidays, shutdowns, and days having prior Peak Events) immediately preceding the current Peak Event. The CRL will be adjusted to reflect actual usage on the day in the hours prior to the Peak Event. This adjustment will occur as follows:

(b) for the two-hour period that begins two and one-half hours prior to the Peak Event, the difference between the average hourly kW use for the two-hour period, as measured by the Smart Meter, and the average hourly kW use, for the same two hour period, calculated as in Paragraph (a) above, will be added to the CRL during each hour of the Peak Event period.

(c) The measured usage reduction in each hour will be the difference between the adjusted CRL from Paragraph (b) and the Customer's measured load corresponding to each hour during the Peak Event.

3. Notification of Peak Events

The Company will notify customers of a Peak Event as described in Section 8(b)(i)5.

(c) Smart Rewards Pricing Opt Out

Sixty (60) days prior to the commencement of the Smart Energy Solutions Program, the Company will send a notification to Customers who have Smart Meters installed at their service location in the Smart Grid Pilot Area advising them of their right to opt out of SRP and instead participate in CDR and continue to receive Standard Basic Service. The Company must be in receipt of a completed "Customer Election to Opt Out" form no later than 30 days prior to the commencement of Smart Pricing in order for the Customer to not be enrolled in SRP at the beginning of the Smart Energy Solutions Program. Customers who do not opt out shall receive Basic Service under SRP. A Customer may opt out of SRP at any time. Once a Customer has notified the Company that the Customer intends to opt out of SRP, the Customer will be billed Standard Basic Service rates and will be eligible to receive Conservation Day Rebates. A Customer who opts out of SRP will not be allowed to return to SRP at a later date.

Customers who move into the Smart Grid Pilot Area and Customers returning to Basic Service from a Competitive Supplier after the commencement of Smart Pricing will be eligible to participate in the Smart Energy Solutions Program. New or returning Basic Service Customers to the Smart Grid Pilot Area who will be receiving service at locations previously equipped with a Smart Meter will automatically be enrolled in SRP unless they opt out of SRP within 30 days following their request for service, as communicated at the time of their request for service, in which case these Customers will receive CDRs. These Customers can opt out of the Smart Energy Solutions Program and as a result the Company will remove the Smart Meter and install a standard billing meter appropriate for the Customer. New or returning Basic Service Customers to the Smart Grid Pilot Area who will be receiving service at locations not previously equipped with a Smart Meter and request the installation of a Smart Meter at the time service is requested will be

notified that they have 30 days following their request for service to provide notice to the Company that they wish to opt out of SRP, in which case these Customers will receive CDRs.

At the end of 12 consecutive months of billing on SRP, Customers will have the opportunity to opt out of SRP. Customers must notify the Company by submitting a completed "Customer Election to Opt Out" form at least 15 days in advance of the end of the 12-month period, in which case these Customers will receive CDRs. Customers who do not provide such notice shall continue to be billed under SRP.

(d) Bill Protection

Customers billed under SRP will be provided an annual bill credit to the extent Basic Service charges under SRP exceed what would have been charged under Standard Basic Service rates for 12 consecutive billing months. For the applicable 12-month period, the Company shall calculate what Standard Basic Service charges would have been billed under Standard Basic Service rates approved by the MPDU and reflected in the Supplemental Schedule, as compared to what the Customer was billed under SRP. Bill credits will be applied to eligible customers no later than the fifth billing month subsequent to the end of the 12-month period.

For SRP Customers who terminate billing under SRP for any reason prior to the end of 12 consecutive months of participation in SRP, no bill credit will be provided.

Customers who move into the Smart Grid Pilot Area and existing Customers residing in the Smart Grid Pilot Area who are returning to Basic Service from Competitive Suppliers after the commencement of Smart Pricing are eligible for bill protection after 12 consecutive billing months or termination of the Smart Energy Solutions Program, whichever occurs first.

(e) Termination

The provisions of Section 8 will terminate 24 months following the implementation date of Smart Rewards Pricing, unless continuation of the provisions of this section is approved by the Department.

9. Smart Energy Solutions Program Cost Recovery

(a) Customer-Facing Cost Recovery

Incremental costs associated with the implementation and operation of the customer-facing component of the Company's Smart Energy Solutions Program shall be recovered from all Basic Service Customers through the Smart Grid Customer Cost Adjustment Factor ("SGCCAF"). Customer-facing incremental costs are those costs approved by the

MDPU that: (1) are directly related to the implementation and operation of the customer-facing component of the Smart Energy Solutions Program; and (2) are demonstrated to be incremental to those costs that the Company currently recovers through its base rates. Smart Energy Solutions Program cost categories that can be identified as either customer-facing or distribution grid-facing will be directly assigned to the respective category. Cost categories that are shared between customer-facing and distribution-grid facing will be allocated between the customer-facing and distribution grid-facing components of the Smart Energy Solutions Program based on the ratio of direct total costs to each category. Incremental costs to be recovered pursuant to this provision include: 1) capital costs related to metering and communications technologies as well as software and, if required, dedicated hardware and a return thereon; 2) incremental operation, maintenance, marketing and customer education costs, and 3) program evaluation costs. These costs listed above shall be reduced by any external funding received by the Company that is appropriately earmarked for implementing such pilot programs.

Incremental customer-facing costs shall be allocated to the Company's Basic Service customer groups by applying a Basic Service Revenue Allocator shown below. The SGCCAF will be calculated as the allocated cost for each customer group defined in Section 4(b) (i.e., Residential, Commercial, and Industrial) divided by the estimated Basic Service kilowatt-hours to be delivered by the Company to each customer group.

The Basic Service Revenue Allocator is derived from Basic Service revenue for the 12-month period ending with the billing month of March 2014 and shall be as follows by customer group:

Residential	70%
Commercial	13%
Industrial	17%

For billing purposes, the SGCCAF will be included with the Basic Service charges on customer's bills.

The Company will file for recovery of its major systems costs through SGCCAF as they are brought into service. On an annual basis, the Company shall reconcile the costs associated with the customer-facing component of the Smart Energy Solutions Program with its SGCCAF revenue, and the excess or deficiency, including interest at the interest rate paid on customer deposits, shall be allocated to the Basic Service customer groups by applying the Basic Service Revenue Allocator above, and shall be refunded to, or collected from, all Basic Service Customers in the subsequent year's SGCCAF mechanism.

Each adjustment of the prices under the Company's applicable rates shall be in accordance with a notice filed with the MPDU setting forth the amount of the increase or

decrease and the new SGCCAF. The notice shall further specify the effective date of such adjustments, which shall not be earlier than forty-five days after the filing of the notice, or such other date as the MPDU may authorize.

(b) Distribution Grid-Facing Cost Recovery – Smart Grid Distribution Adjustment Factor

Incremental costs associated with the implementation and operation of the distribution grid-facing component of the Company's Smart Energy Solutions Program shall be recovered from all Retail Delivery Service customers in accordance with the Company's Smart Grid Adjustment Provision, M.D.P.U. No. 1238, as may be amended from time to time.