

MASSACHUSETTS ELECTRIC COMPANY  
NANTUCKET ELECTRIC COMPANY  
TRANSITION COST ADJUSTMENT PROVISION

The transition charges included in the Company's delivery service rates are designed to reflect a 2.8¢ per kilowatt-hour contract termination charge billed to the Company by New England Power Company ("NEP"). The Transition Cost Adjustment shall be applied to adjust the amount of the transition charges included in base rates to reflect changes from the 2.8¢ per kilowatt-hour contract termination charge billed by NEP. The Transition Cost Adjustment shall change each time that the contract termination charge that NEP bills to the Company changes and the adjustment shall include, for each of the Company's rate classes, a full reconciliation and credit or collection of any over or under recoveries, together with interest at the rate applied for interest on customer deposits, occurring during prior periods attributable to such rate class.

Each adjustment of the prices under the Company's applicable rates shall be in accordance with a notice filed with the Department of Public Utilities ("Department") setting forth the amount of the increase or decrease and the new Transition Cost Adjustment amount. The notice shall further specify the effective date of such adjustment, 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 Transition Cost Adjustment provision is subject to Chapter 164 of the General Laws.