

THE NARRAGANSETT ELECTRIC COMPANY
CUSTOMER CREDIT PROVISION

The Customer Credit Factor (“CCF”) shall refund to customers all funds accumulated on the behalf of customers (“Customer Credit”) pursuant to Section 11(A) of the Third Amended Stipulation and Settlement Agreement approved by the Rhode Island Public Utilities Commission (“Commission”) in Docket No. 2930, in accordance with the adjustments and methodology set forth in the settlement filed by the Company and approved by the Commission in Docket No. 3617 (the “Current Rate Plan”).

The Company shall estimate and adjust the Customer Credit for the period January 1, 2000 through December 31, 2004 as described in Section 7(C) of the Current Rate Plan. The Customer Credit shall be allocated to each of the Company’s rate classes using a factor comprised of 50% of each class’ base distribution revenues estimated for calendar year 2005 and 50% of each class’ kilowatt-hour deliveries estimated for calendar year 2005. The factor for each class will be a cents-per-kilowatt-hour factor applicable to all kilowatt-hours delivered by the Company and will be applied to customer bills over a twelve-month period beginning for usage on and after November 1, 2004.

The estimated amounts included in the design of the CFF shall be reconciled to actual amounts in a report filed with the Commission by May 1, 2005. In addition, the amounts credited to customers pursuant to this provision shall be tracked by the Company and reconciled at the end of the twelve-month period to the actual amount reflected in the May 1, 2005 report. The result of this reconciliation shall be included in the Company’s first annual reconciliation filing occurring after the expiration of the CCF. Any over or under recoveries of the Customer Credit will be allocated to customer classes using the methodology set forth in the prior paragraph and recovered from or returned to customers over the following twelve months in a Customer Credit adjustment factor.

Pursuant to the Commission Order in Docket No. 3551, all of some portion of the Customer Credit attributable to the U.S. Navy will be credited to the Company’s revenues in calendar year 2004, and be subject to earnings sharing.

Under G.L. 42-98-1.1, the cities of Providence and East Providence (“Cities”) have the option to waive the application of the CCF that would otherwise be applicable to the Company’s customers in those communities for purposes of supporting the cost to underground the E-183 line in accordance with the settlement approved by the Energy Facilities Siting Board on May 28, 2004 in Docket SB-2003-1 (“E-183 Settlement”). In the event that one or both of the Cities elects the option under G.L. 42-98-1.1, the Company shall implement such election. In the event that: (i) the Company receives funding for the undergrounding from alternative sources; (ii) either City does not exercise the option under G.L. 42-98-1.1; or (iii) the Company is unable to secure funding, permits, and the rights to land and easements as set forth in the E-183 Settlement, then the Company shall notify the Cities and shall implement that portion of the Customer

Credit not otherwise used to fund the undergrounding project for the Company's customers in those communities.

Modifications to the CCF shall be in accordance with a notice filed with the 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.

Effective: November 1, 2004