

**THE NARRAGANSETT ELECTRIC COMPANY
LAST RESORT SERVICE ADJUSTMENT PROVISION**

The prices contained in the applicable rates of the Company are subject to adjustment to reflect the power purchase costs incurred by the Company in arranging Last Resort Service, which costs are not recovered from customers through the Last Resort Service rates, including, but not limited to, the costs incurred by the Company to comply with the Renewable Energy Standard established in R.I.G.L. Section 39-26-1, the costs to comply with the Commission's Rules Governing Energy Source Disclosure and administrative costs.

On an annual basis, the Company shall perform two reconciliations for its total cost of providing Last Resort Service: 1) the Last Resort Service Supply Reconciliation and 2) the Last Resort Administrative Cost Reconciliation. In the Last Resort Service Supply Reconciliation, the Company shall reconcile its total cost of purchased power for Last Resort Service supply against its total purchased power revenue. Total purchased power revenue shall mean all revenue billed to Standard Offer Service customers through the Last Resort Service rates for the applicable 12 month reconciliation period, adjusted by the "Revenue Adjustment," as defined below. The Revenue Adjustment shall increase revenue in the reconciliation if the variable rate billing less fixed rate billing is positive, and the Revenue Adjustment shall decrease revenue in the reconciliation if the variable rate billing less the fixed rate billing is negative. The excess or deficiency ("Last Resort Adjustment Balance") shall be credited to, or recovered from, customers through a methodology approved by the Commission at the time the Company files its annual reconciliation. Any positive or negative balance will accrue interest calculated at the rate in effect for customer deposits.

If there is a positive or negative balance in the then current Last Resort Adjustment Balance outstanding from the prior period, the balance shall be credited against or added to the new reconciliation amount, as appropriate, in establishing the Last Resort Adjustment Balance for the new reconciliation period.

Beginning July 1, 2015, for customers leaving Last Resort Service during a pricing period to receive their electric supply from a Non-regulated Power Producer, the Company shall calculate a "Revenue Adjustment" which shall be the difference between the amount customers in the Residential (Retail Delivery Service Rates A-16 and A-60) and Commercial (Retail Delivery Service Rates C-06, G-02, S-05, S-06, S-10, and S-14) Groups were billed for Last Resort Service at the fixed rate as provided for in the Company's Tariff for Last resort Service, R.I.P.U.C. No. 2236, as may be amended from time to time, and the amount they would have been billed at the monthly variable rates underlying the applicable fixed rate. The calculation shall cover the time between the beginning of a pricing period for the fixed rate and the last day the customer received and was billed for Last Resort Service. The amount, including interest calculated at the rate in effect for customer deposits, shall be recovered from or credited to all retail delivery service customers.

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Annually, the Company shall determine the Last Resort Adjustment Balance for the prior calendar year and make a filing with the Commission. The Company will propose at that time a methodology to recover or credit the balance, as appropriate, over the subsequent twelve month period or as otherwise determined by the Commission. The Commission may order the Company to recover or credit the balance over any reasonable time period from (i) all customers, (ii) only Last Resort Service customers, or (iii) through any other reasonable method.

In the Last Resort Administrative Cost Reconciliation, the Company shall reconcile its administrative cost of providing Last Resort Service with its Last Resort Service revenue associated with the recovery of administrative costs, and the excess or deficiency, including interest at the interest rate paid on customer deposits, shall be credited to, or recovered from, Last Resort Service Customers in the subsequent year's Last resort Service Administrative Cost Factor. The Company may file to change the Last Resort Service Administrative Cost Factor at any time should significant over- or under- recoveries of Last Resort Service administrative costs occur.

For purposes of calculating the Last Resort Service Administrative Cost Factors, which is applicable to customers receiving Last Resort Service, administrative costs associated with arranging Last Resort Service pursuant to this provision shall include:

1. the cost of working capital;
2. the administrative costs of complying with the requirements of Renewable Energy Standard established in R.I.G.L. Section 39-26-1, the costs of creating the environmental disclosure label, and the costs associated with NEPOOL's Generation Information System attributable to Last Resort Service;
3. the costs associated with the procurement of Last Resort Service including requests for bids, contract negotiation, and execution and contract administration;
4. the costs associated with notifying Last Resort Service customers of the rates for Last Resort Service and the costs associated with updating rate change in the Company's billing system; and
5. an allowance for Last Resort Service- related uncollectible accounts receivables associated with amounts billed through Last Resort Service rates, the Renewable Energy Standard charge and the Last Resort Service Administrative Cost Factors at the rate approved by the Commission.

The allowance for Last Resort-related uncollectible amounts shall be estimated for purposes of setting the Last Restort Service Administrative Cost Factors for the upcoming year as the approved rate applied to the sum of (1) an estimate of Last Resort Service costs associated with each customer group pursuant to the Last Resort Service and Renewable Energy Standard procurement plans in effect at the time, as approved by the Commission, and (2) any over- or under-recoveries of Last Resort Service from the prior year associated with each customer group. This

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amount shall be subject to reconciliation only for actual Last Resort Service revenue billed by the Company over the applicable period.

This provision is applicable to all Retail Delivery Service rates of the Company.