

APPENDIX 1

Calculation of Excess Market Exposure Security

In accordance with the terms of the MPUC's RFP and the provisions of this Agreement, Provider must provide Excess Market Exposure Security to T&D if the positive difference between (i) the Replacement Cost of Standard Offer Service supply and (ii) the Provider's Committed Cost exceeds the amount of Current Security furnished by Provider. The amount of Excess Market Exposure Security required will be determined on a periodic basis using the following formula:

Excess Market Exposure Security = the greater of:

- (i) [(Replacement Cost - Committed Cost) - Current Security];
- or
- (ii) Zero.

Where:

Current Security = the amount (in \$) currently furnished by Provider to T&D in the form of cash, letter of credit or guarantee in accordance with the MPUC's RFP; provided, that the initial Current Security amount shall equal the Base Security amount

Committed Cost= the product of the Provider's Standard Offer Service rate(s) accepted by the Commission and the Remaining Load in the Provider's supply obligation term (in \$)

Replacement Cost = the product of the Replacement Price and the Remaining Load in the Provider's supply obligation term (in \$)

Remaining Load = the monthly reference quantities in kWh, of peak and off-peak Standard Offer Service load provided in the MPUC's RFP, prorated to reflect the Provider's Share and the remaining Term of Service, and further adjusted to reflect the subsequent migration of customer loads to or from the applicable Standard Offer Service class.

Initial Energy Price = the monthly index prices (in \$/kWh) for future wholesale energy at the ISO-NE Mass Hub location as of the day the Standard Offer Provider's prices were accepted, as published by NYMEX ClearPort for the following product listings:

ISO-NE Internal Hub Peak LMP Swap
ISO-NE Internal Hub Off-Peak LMP Swap

Or, if such listings are not available, an equivalent published index price. The Peak and Off-Peak indices may be weighted by load quantities corresponding to the applicable Standard Offer class.

Replacement Energy Price= the current monthly index prices (in \$/kWh) for future wholesale energy at the ISO-NE Mass Hub location, as published by **NYMEX** ClearPort for the following product listings:

ISO-NE Internal Hub Peak LMP Swap
ISO-NE Internal Hub Off-Peak LMP Swap

Or, if such listings are not available, an equivalent published index price. The Peak and Off-Peak indices may be weighted by load quantities corresponding to the applicable Standard Offer class.

Retail Adder = for each month of Provider's Standard Offer Service supply obligation, the difference between the Provider's accepted Standard Offer Service price and the Initial Energy Price. The Retail Adder may be adjusted, upon agreement by both Parties and approval by the Commission, to reflect any significant, unanticipated structural changes in the regional wholesale market that materially increase or decrease the incremental cost of retail Standard Offer Service supply relative to wholesale energy prices.

Replacement Price = for each month of the remaining term of Provider's Standard Offer Service supply obligation, the sum of (i) the Replacement Energy Price and (ii) the Retail Adder.