

November 3, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Renewable Energy Standard Procurement Plan
Docket No. 3765**

Dear Ms. Massaro:

In accordance with Section 8.2 of the Rhode Island Public Utilities Commission's Rules and Regulations Governing the Implementation of a Renewable Energy Standard ("RES"), enclosed please find ten (10) copies of The Narragansett Electric Company, d/b/a National Grid, RES Procurement Plan filing in the above-captioned proceeding. The RES Procurement Plan consists of the pre-filed testimony and attachments of Michael J. Hager.

Thank you for your attention to this filing. Please feel free to contact me at (401) 784-7667 if you have any questions concerning this filing.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket 3765 Service List
Docket 3659 Service List (electronically)
Paul Roberti, Esq.
Steve Scialabba, Division

The Narragansett Electric Company d/b/a National Grid
Docket No. 3765
Renewable Energy Standard Procurement Plan
Testimony of M.J. Hager

**DIRECT TESTIMONY
AND ATTACHMENTS
OF
MICHAEL J. HAGER**

1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. My name is Michael J. Hager, 55 Bearfoot Road, Northborough, Massachusetts 01532.

4

5 Q. Please state your position.

6 A. I am the Vice President, Energy Supply – New England for National Grid USA Service
7 Company. I am responsible for, among other things, all power procurement and related
8 activities for the New England distribution companies of National Grid USA (formerly
9 the New England Electric System) including The Narragansett Electric Company d/b/a
10 National Grid (“National Grid”). These activities include the procurement of power for
11 Standard Offer Service and Last Resort Service as well as the procurement of renewable
12 energy certificates (“RECs”).¹

13

14 Q. Will you describe your educational background and training?

15 A. In 1982, I graduated from the University of Hartford with a Bachelor of Science degree
16 in Mechanical Engineering. In 1986, I received a Master of Science degree in
17 Mechanical Engineering from Northeastern University. I am a Licensed Professional
18 Engineer in the Commonwealth of Massachusetts.

19

20 Q. What is your professional background?

¹ The Rhode Island RES Regulations refer to RECs as NEPOOL-GIS certificates. For purposes of my testimony, RECs and NEPOOL-GIS certificates are the same product.

1 A. From 1982 to 1992, I was employed by New England Power Service Company in various
2 engineering positions. In these positions, I provided support to New England Power
3 Company's ("NEP") thermal and hydroelectric generating plants with overall
4 responsibility for the management and control of studies and projects from initiation to
5 completion.

6
7 From 1992 to 1997, I was employed by NEP where I conducted wholesale and retail
8 power marketing activities involving the sale and purchase of generation resources to and
9 from investor-owned utilities, municipalities, independent power producers, government
10 agencies, brokers, marketers, and end-use retail customers.

11
12 In June 1997, I was promoted to the position of Standard Offer Portfolio Manager for
13 New England Power Service Company (now National Grid USA Service Company). In
14 November 2000, my title was changed to Manager, Distribution Energy Services to more
15 fully reflect the scope of work performed by my department.

16
17 In April 2002, I was promoted to the position of Director, Energy Supply – New
18 England. In December 2002, I was promoted to the position of Vice President, Energy
19 Supply – New England.

20
21 Q. Have you previously testified before the Rhode Island Public Utilities Commission
22 ("Commission")?

1 A. Yes.

2

3 **II. Purpose of Testimony**

4 Q. What is the purpose of your testimony?

5 A. The purpose of my testimony is to present National Grid's Renewable Energy Standard
6 ("RES") Procurement Plan in accordance with Section 8.2 of the Commission's Rules
7 and Regulations Governing the Implementation of a Renewable Energy Standard ("RES
8 Regulations"). The following topics will be covered in my testimony:

- 9 • National Grid's RES Obligation
- 10 • National Grid's Proposed Procurement Schedule
- 11 • Evaluation Criteria
- 12 • Risks and Mitigation
- 13 • Procurement Process to meet the Last Resort Service RES Obligation
- 14 • Procurement Process to Meet the Standard Offer and Remaining Last
15 Resort RES Obligations
- 16 • Resource Monitoring, Performance and Review of Procurement Process

17

18 **III. Background**

19 Q. Why does National Grid need to submit a RES Procurement Plan?

20 A. On June 29, 2004, the Rhode Island legislature enacted into law a Renewable Energy
21 Standard (R.I. Gen. Laws § 39-26-1 et seq.). On December 8, 2005, the Commission

1 issued final regulations implementing the RES effective January 1, 2006. Pursuant to the
2 RES law and Commission regulations, beginning on January 1, 2007, National Grid and
3 all other obligated entities (as specified in Definition 3.24 of the RES Regulations) are
4 required to obtain a percentage of their energy supply from a mix of new and existing
5 renewable energy resources. Attachment MJH-1 summarizes the obligation as specified
6 in the RES Regulations. Section 8.2 of the RES Regulations requires National Grid, and
7 all obligated electric utility distribution companies, to annually submit a Renewable
8 Energy Procurement Plan to the Commission that demonstrates its procedures for
9 obtaining resources that satisfy National Grid's RES obligations.

10
11 Q. What are the specific requirements that National Grid must comply with to satisfy its
12 RES obligations?

13 A. Section 8.2 of the RES Regulations requires:

14 All obligated electric utility distribution companies must submit annual plans for procurement of
15 NEPOOL GIS Certificates from Eligible Renewable Energy Resources for compliance with these
16 regulations to the Commission ("Renewable Energy Procurement Plan"). Obligated electric
17 distribution companies shall demonstrate to the Commission that, in preparation of the Renewable
18 Energy Procurement Plan, such companies have:

- 19
20 (i) Determined their needs, including the demand for renewable energy certificates
21 from Eligible Renewable Energy Resources under the range of anticipated future
22 conditions
23 (ii) Developed a schedule of planned purchases of NEPOOL GIS Certificates from
24 Eligible Renewable Energy Resources to supply the identified needs
25 (iii) Developed key criteria to evaluate the providers and product options
26 (iv) Identified the major risk factors and how mitigated
27 (v) Developed a process to implement the filed Renewable Energy Procurement
28 Plan
29 (vi) Provided the means of monitoring the procurement over time to make sure it
30 performs as planned, to hold counter parties accountable, and to identify areas
31 where improvement is needed.

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IV. National Grid's RES Obligation

Q. Has National Grid determined its RES obligations?

A. Yes. National Grid has developed an estimate of its RES obligation for Standard Offer Service and Last Resort Service under a range of anticipated future conditions. Attachment MJH-2 is a summary of this estimate.

Q. Is National Grid requesting to purchase its RES obligation for the period after the current Standard Offer supply ends (2010 and beyond)?

A. National Grid plans to initially limit purchases to meet its RES obligations for 2007 through 2009, the current Standard Offer period. Under recently passed legislation in Rhode Island, National Grid is required to file with the Commission a proposed supply procurement plan by March 1, 2009 to address its future standard offer supply requirements. National Grid intends to include its plans to meet the RES obligation as part of the supply procurement plan. The Company does not believe it would be appropriate to make any RES commitments beyond 2009 at this time, without full consideration of the actual supply acquisition approach to be taken for future standard offer supply. To do so today would be to make financial commitments with potentially long-lasting impacts on rates, based on speculative projections of standard offer load, market prices, and the potential cost of renewables certificates in the distant future. This program is just beginning in Rhode Island. As such, the Company believes it is appropriate to take this in controllable, near term steps. Nevertheless, in accordance with

1 the RES Regulations, the Company will be including the period 2010 and beyond in its
2 Request for Proposals and will share any bid results with the Rhode Island Office of
3 Energy Resources (“OER”), the Economic Development Corporation (“EDC”), the
4 Division of Public Utilities and Carriers (“Division”), and Participating Purchasers
5 interested in purchasing such renewable certificates.

6
7 Q. How did National Grid develop its Standard Offer Service RES obligation?

8 A. As shown in Attachment MJH-2, since January 2000 the yearly change in National
9 Grid’s Standard Offer Service requirements has ranged from an increase of 2.4% to a
10 decrease of 3.0%. From November 2000 through October 2006, the average trend in
11 Standard Offer Service requirements has been calculated to be an increase of
12 approximately 0.25% per year. National Grid developed three cases that would provide a
13 reasonable range of RES obligations for the 2007 through 2009 period. This period
14 coincides with National Grid’s long-term Standard Offer supply contracts and is
15 consistent with the procurement Periods I and II in Section 8.5 of the RES Regulations.
16 The Base Case assumes the Standard Offer requirement increases at the historical rate for
17 2000-2006 of 0.25% per year for the 2007 through 2009 period. Case 1 assumes a 2.4%
18 annual increase (based on the largest annual increase since 2000) and Case 2 assumes a
19 4.8% annual decrease (based on the largest annual decrease since 2000). Attachment
20 MJH-3 is a graph of both the monthly historic Standard Offer loads and the estimate of
21 the Standard Offer loads based on the three cases identified above. Using the annual RES

1 Target Percentages found in Section 4.2 of the RES Regulations, National Grid
2 determined the range of annual RES obligations as summarized in the following table:

Compliance Year	Total RES Target Percentage	Standard Offer RES Obligation Base Case (RECs)	Standard Offer RES Obligation Case 1 (RECs)	Standard Offer RES Obligation Case 2 (RECs)
2007	3.0%	209,050	213,533	198,519
2008	3.5%	244,501	255,101	220,489
2009	4.0%	280,129	298,541	239,892

3
4 National Grid is proposing to use the Base Case as the basis for establishing its RES
5 obligations for its first RES procurement. It should be noted that the Standard Offer
6 requirements could change significantly as a result of energy market changes, customer
7 response to unusually severe or mild weather and possible competitive supply
8 opportunities in response to the end of the Standard Offer supply period. Since there is
9 not a significant variation between the Base Case and the two other cases, National Grid
10 believes that it is reasonable to use the Base Case for the initial RES procurement. As
11 explained in more detail below, any variations from the Base Case can be accounted for
12 in future RES procurements.

13
14 Q. How did National Grid develop its Last Resort Service RES obligations?

15 A. As shown in Attachments MJH-2 and MJH-4, since 2000, the yearly and monthly
16 changes in National Grid's Last Resort Service requirements have been extremely
17 volatile. This volatility results from the ability of customers to switch back and forth
18 between competitive supply and Last Resort Service. National Grid developed three

1 cases that would provide a range of Last Resort Service RES obligations for the 2007
2 through 2009 period. The Base Case assumes the Last Resort Service requirement
3 remains unchanged from the 12 month period ending October 31, 2006. Case 1
4 represents the calendar period with the largest Last Resort Service load requirement and
5 Case 2 represents the calendar year period with the smallest Last Resort Service load
6 requirement. Using the annual RES Target Percentages found in Section 4.2 of the RES
7 Regulations, National Grid determined the range of annual RES obligations as
8 summarized in the following table:

Compliance Year	RES Target Percentage	Last Resort RES Obligation Base Case (RECs)	Last Resort RES Obligation Case 1 (RECs)	Last Resort RES Obligation Case 2 (RECs)
2007	3.0%	8,100	16,814	1,498
2008	3.5%	9,450	19,616	1,748
2009	4.0%	10,800	22,419	1,997

9
10 Due to the extreme volatility of Last Resort Service load, however, National Grid
11 proposes to link its purchase of NEPOOL-GIS Certificates with its purchase of Last
12 Resort Service load requirements rather than procuring a specified quantity of NEPOOL-
13 GIS certificates. Linking the purchase of RES obligation with the actual Last Resort
14 Service load requirement would enable National Grid to purchase its actual RES
15 obligations and reduce the probability of National Grid buying too many or too few
16 NEPOOL-GIS Certificates than the Last Resort Service RES obligation it must satisfy.

17
18 **V. National Grid's Proposed Procurement Schedule**

1 Q. What schedule is National Grid proposing to follow in its RES Procurement Plan to meet
2 its annual RES obligations for Standard Offer Service and Last Resort Service?

3 A. National Grid proposes to obtain its RES obligations in two ways -- through a series of
4 stand-alone competitive solicitations for NEPOOL-GIS certificates, and as part of the
5 Last Resort Service procurement process. The stand-alone solicitations will be
6 conducted twice per year, in between Last Resort Service procurements. The Last Resort
7 Service procurement will be performed in accordance with the schedule established by
8 the Commission in its Last Resort Service procurement docket.

9
10 Q. When will National Grid conduct its first stand-alone solicitation?

11 A. National Grid proposes to issue its first request for proposals for procurement of
12 NEPOOL-GIS certificates within 30 days after the Commission approves its RES
13 Procurement Plan. Subsequently, National Grid will issue a request for proposals for
14 such RECs twice a year; approximately one month (April and October) after it files new
15 retail rates for Last Resort Service. These procurements will seek an established quantity
16 of NEPOOL GIS Certificates to meet Standard Offer RES obligations as well as any Last
17 Resort Service RES obligations that were not purchased or obtained as part of the Last
18 Resort Service procurement. The quantity of certificates to be sought in each
19 procurement is described later in my testimony. This process will allow National Grid
20 sufficient time to complete its Last Resort Service procurement, review its remaining
21 Last Resort Service RES obligations, review its remaining Standard Offer Service RES
22 obligations, make an informational filing with the Commission that updates National

1 Grid's RES obligations and issue a second request for proposals for the Company's
2 remaining RES obligations.

3
4 Q. When will National Grid procure NEPOOL-GIS certificates to meet its Last Resort
5 Service RES obligations?

6 A. National Grid currently procures its Last Resort Service requirements twice a year
7 (through request for proposals issued in February and August). In future procurements,
8 beginning with the procurement that is issued following Commission approval of the
9 RES Procurement Plan, National Grid will request bidders to provide separate pricing to
10 provide the RES obligation in addition to the price to provide the Last Resort Service
11 requirements. This process and the process for evaluating the bids are described later in
12 my testimony. As stated above, if National Grid does not procure the RES obligation
13 along with the Last Resort Service supply, the un-met RES obligation will be procured as
14 part of the following stand-alone solicitation.

15
16 **VI. Evaluation Criteria**

17 Q. What criteria will National Grid use in selecting proposals to meet its RES needs?

18 A. National Grid will base its selection of proposals using the following criteria:

- 19
- 20 • Lowest evaluated bid price
 - 21 • Quantity of NEPOOL-GIS Certificates offered
 - 22 • Type of certificate purchase offered (firm delivery, unit contingent)
 - 23 • Ability of supplier to meet its obligation to deliver NEPOOL-GIS
24 Certificates
 - Ability of supplier to provide security

- 1 • Firmness of delivery
- 2 • The supplier's past experience in providing similar services to National
- 3 Grid
- 4 • The supplier's past experience in providing similar services to other
- 5 companies in New England
- 6 • The supplier's past experience in providing similar services to other
- 7 companies in other regions
- 8 • The supplier's demonstrated understanding of its obligations under the
- 9 proposed Certificate Purchase Agreement
- 10 • Whether there have been any past or are any present events that are
- 11 known that may adversely affect the supplier's ability to provide
- 12 NEPOOL-GIS Certificates
- 13 • All other criteria being equal, whether the project will be located in
- 14 Rhode Island
- 15

16 Of course, any proposals will require that the NEPOOL-GIS Certificates offered will
17 comply with the requirements in the RES Regulations. For a unit contingent offer, a
18 supplier will also be required to demonstrate the likelihood that NEPOOL-GIS
19 Certificates will be created from a resource. For a resource that is proposed or under
20 construction, a supplier will be required to demonstrate the likelihood that the resource
21 will create NEPOOL-GIS Certificates during the contract period.

22

23 **VII. Risks and Mitigation**

- 24 Q. What are the major risk factors National Grid has identified in meeting its RES
25 obligations?
- 26 A. National Grid has identified the following major risks in meeting its RES obligation:
- 27 • Load either increases or decreases significantly from that expected.
 - 28 • Supplier does not deliver the quantity of NEPOOL-GIS Certificates
 - 29 contracted for.

1 Q. How does National Grid propose to mitigate a failure of a supplier to provide NEPOOL-
2 GIS Certificates?

3 A. National Grid will utilize all available contractual rights it has to compel the supplier to
4 provide the contracted for NEPOOL-GIS Certificates. National Grid will also rely on
5 contract security to offset any costs associated with a supplier's failure to provide
6 NEPOOL-GIS Certificates. Typically, National Grid requires security from unrated
7 counterparties in an amount at least equal to the difference between the ACP and contract
8 price times the number of certificates under contract. Under this plan, if National Grid is
9 unable to obtain the certificates from the supplier it can seek to purchase replacement
10 certificates or make an ACP and the cost to customers would net out to the cost under the
11 contract. Typical forms of security include unsecured lines of credit with rated
12 counterparties, parent guarantees, letters of credit and cash deposits.

13
14 Customers would not be subject to the risk of National Grid paying for certificates that it
15 did not receive. National Grid only pays suppliers once it receives certificates in its
16 NEPOOL-GIS account or receives NEPOOL-GIS non-revocable Forward Certificate
17 Transfers.

18
19 Q. How does National Grid propose to mitigate a failure of a resource to perform as
20 expected?

1 A. If a resource provides fewer NEPOOL-GIS Certificates than expected, National Grid can
2 either include the shortfall in future procurements or make an ACP for the remaining
3 RES obligation if additional NEPOOL-GIS Certificates are not available.

4

5 Q. If National Grid receives insufficient offers to meet its expected RES obligation, how
6 does National Grid propose to mitigate this consequence?

7 A. If National Grid receives insufficient offers to meet its expected RES obligations,
8 National Grid can either (i) include the shortfall in future procurements (ii) conduct
9 additional solicitations, or (ii) make an ACP for the remaining obligation if additional
10 NEPOOL-GIS Certificates are not available.

11

12 **VIII. Procurement Process to meet the Last Resort Service RES Obligation**

13 Q. What is the process National Grid is proposing to enable it to meet its Last Resort Service
14 RES obligation?

15 A. As described above, National Grid proposes to meet its Last Resort Service RES
16 obligation by including the requirement to meet the RES obligation with its Last Resort
17 Service procurement. In the event the Company is unable or unwilling to obtain its RES
18 obligations as part of the LRS procurement it will include any outstanding obligations as
19 part of the next stand-alone RES procurement.

20

21 Q. How will National Grid include the RES requirement with its Last Resort Service
22 procurement?

1 A. As part of the Last Resort Service procurement, National Grid will request bidders to
2 provide two price components with its bid. The first component will be for the provision
3 of the Last Resort Service requirement excluding the RES obligation. The second
4 component will be for the cost of the related RES obligation. This is similar to the
5 process National Grid uses in its procurement of Default Service in Massachusetts. The
6 following language is proposed to be included in future request for proposals for Last
7 Resort Service:

8 On June 29, 2004 the Rhode Island General Assembly enacted a Renewable Energy
9 Standard ("RES") that promotes the development of renewable energy resources in Rhode
10 Island and New England. The RES requires a retail supplier of electricity to obtain a
11 minimum portion of its supply from certain new and existing renewable energy resources.
12 The Rhode Island Public Utilities Commission ("RIPUC") established rules and regulations
13 implementing these requirements ("RES Rules"). These rules and regulations can be
14 found at:

15
16 [http://www.ripuc.state.ri.us/rulesregs/commrules/3659-RES-FinalRules\(12-7-05\).pdf](http://www.ripuc.state.ri.us/rulesregs/commrules/3659-RES-FinalRules(12-7-05).pdf)
17

18 Accordingly, National Grid requests Respondents to provide a separate price in their Last
19 Resort Service bids for the RES compliance adder (in \$/MWh) equivalent to (i) 3.0% of
20 expected sales in 2007 of which up to 2.0% may be met by the existing resource
21 requirement and the remaining 1.0 % shall be met by the new resource requirement and
22 (ii) 3.5% of expected sales in 2008 of which up to 2.0% may be met by the existing
23 resource requirement and the remaining 1.5% shall be met by the new resource
24 requirement. National Grid will have the option to include the RES adder with the selected
25 bid price.
26

27 Q. How will National Grid evaluate the bids received?

28 A. For each bidder, National Grid will add the two price components together and select the
29 bid with the lowest overall cost.
30

31 Q. Will National Grid always procure the RES obligation from its Last Resort Service
32 suppliers?

1 A. It is National Grid's intent to use the competitive Last Resort Service solicitation process
2 to procure the RES obligation along with the Last Resort Service requirements at the
3 least overall cost. However, there may be times when National Grid believes it is not in
4 the best interests of its customers to purchase the RES obligation from a particular low
5 cost supplier. For example, if the lowest bid of the supply component is offering the RES
6 component at the ACP, it may be in the interest of customers to purchase only the supply
7 component from the bidder, without the RES component. In such cases the Company
8 will consult with the Division and, if the Division agrees, the Company would elect not
9 to purchase the RES obligation.

10

11 Q. What if National Grid does not accept a Last Resort Service bid that includes the RES
12 obligation?

13 A. National Grid will include any unmet Last Resort Service RES obligation in its next
14 stand-alone RES procurement or make an ACP prior to the required annual compliance
15 filing.

16

17 Q. How will National Grid ensure that a supplier of Last Resort Service will provide the
18 required NEPOOL-GIS Certificates?

19 A. Consistent with the process National Grid has used in its procurement of Default Service
20 in Massachusetts, in each monthly invoice for Last Resort Service that includes the RES
21 obligation, National Grid will retain a portion of the invoiced amount equal to the
22 number of NEPOOL-GIS Certificates required to meet the RES obligation times the

1 applicable ACP. When the supplier delivers the required number of NEPOOL-GIS
2 Certificates to National Grid's NEPOOL-GIS account, National Grid will refund the
3 amount retained to the supplier. The following language is proposed to be included in
4 the billing and payment section of any power purchase agreement that includes a RES
5 obligation:

- 6 (x) Plus the product of (a) the number of RI Renewable Energy Standard Certificates
7 delivered in the month, not to exceed the Aggregate RES Requirement and (b)
8 the applicable Alternative Compliance Payment Rate less,
9 (y) The product of (a) the RES Requirement and (b) the applicable Alternative
10 Compliance Payment Rate.
11

12 If the supplier fails to provide the required NEPOOL-GIS Certificates, National Grid
13 would seek to purchase NEPOOL-GIS Certificates in a future RES procurement or make
14 an ACP using the funds withheld. Thus, National Grid's Last Resort Service customers
15 would not be harmed by a Last Resort Service supplier's failure to deliver its RES
16 obligation.
17

18 Q. How will National Grid include the cost of meeting the RES obligation in its Last Resort
19 Service rates?

20 A. If National Grid accepts a Last Resort Service bid that includes the RES obligation,
21 National Grid will (i) if directed by the Commission to present the cost of the RES
22 obligation as a separate RES Charge, update the RES Charge to reflect the cost in the
23 accepted bid, or (ii) if directed by the Commission to include the cost of the RES
24 obligation in the Last Resort Service Rate, establish Last Resort Service rates based on

1 the total cost to procure Last Resort Service (based on the sum of the two price
2 components in the accepted bid prices).

3
4 If National Grid does not accept a bid that includes the RES obligation, National Grid
5 will (i) maintain the existing RES Charge, if directed by the Commission to present the
6 cost of the RES obligation as a separate RES Charge, or (ii) if directed by the
7 Commission to include the cost of the RES obligation in the Last Resort Service Rate,
8 establish Last Resort Service rates based on the cost to procure Last Resort Service
9 (excluding the RES obligation) plus the average cost to procure the RES obligation from
10 the most recently completed stand-alone solicitation.

11
12 Any difference between the revenue received from customers and the actual costs to meet
13 the RES obligation would be fully reconcilable in National Grid's annual reconciliation
14 for Last Resort Service.

15

16

1 **IX. Procurement Process to Meet the Standard Offer and Remaining Last Resort RES**
2 **Obligations**

3
4 Q. What is the process National Grid is proposing to enable it to meet its Standard Offer
5 Service and remaining Last Resort Service RES obligations?

6 A. As described above, National Grid proposes to meet its Standard Offer Service and
7 remaining Last Resort Service RES obligations through stand-alone solicitations

8 conducted twice a year. Each solicitation will use the following process:

- 9 • Issue a request for proposals to meet the RES obligations
- 10 • Receive statements of interest from Participating Purchasers
- 11 • Receive bids from renewable energy suppliers
- 12 • Provide copies of the Phase II and III bids to the Division, the EDC and
- 13 OER (as required under Section 8.5(i) of the RES Regulations)
- 14 • Evaluate the bids received and select proposed awards
- 15 • Share all the relevant bid information with the Division and identify all of
- 16 the bids that the Company proposes to select to the Division before
- 17 executing any contracts
- 18 • Execute contracts with suppliers that meet the criteria established in the
- 19 approved RES Procurement Plan, to the extent the Division has no
- 20 objection
- 21 • File the results of the procurement process, including copies of the
- 22 contracts, with the Commission and wait five business days before the
- 23 contracts become effective
- 24 • Share bids with Participating Purchasers (in compliance with Section
- 25 8.5(iii) of the RES Regulations)
- 26 • Arrange initial meetings with Participating Purchasers and the remaining
- 27 bidders

28
29 Q. What products would National Grid purchase in the Request for Proposals (“RFP”)?

30 A. National Grid would seek to purchase both firm and unit contingent NEPOOL-GIS
31 Certificates that comply with the RES Regulations. A draft RFP outlining the

1 requirements, process and proposed Certificate Purchase Agreement and Confidentiality
2 Agreement is included in Attachment MJH-5.

3
4 Q. Why is National Grid proposing to meet its RES obligations through the purchase of
5 NEPOOL-GIS Certificates and not through the purchase of renewable energy?

6 A. National Grid's Standard Offer Service and Last Resort Service requirements are met
7 through a portfolio of load-following agreements. None of these agreements provide
8 National Grid with the option to meet a portion of its load obligation from generation
9 resources under contract with National Grid. This is consistent with the terms of the
10 Rhode Island URA.² Instead, National Grid plans to meet its RES obligations through
11 the purchase of NEPOOL-GIS Certificates from renewable resources. These purchases
12 provide an additional source of revenue for renewable resources over any revenue such
13 resources receive for the energy they produce thus complying with the purpose of the
14 RES law and RES Regulations.

15
16 Q. How many NEPOOL-GIS certificates will the Company procure in each upcoming stand-
17 alone procurement?

18 A. National Grid proposes to systematically procure its needed requirements over time
19 through a dollar cost averaging type procurement process. The proposed plan, which will
20 be subject to refinement and adjustment over time based on the results of completed

²The Rhode Island Utility Restructuring Act of 1996 ("Rhode Island URA" or "URA" and Rhode Island General Law 39-1-27.3, as amended in June 2002.

1 procurements, is graphically depicted in Attachment MJH-6. A more detailed description
2 of the number of NEPOOL-GIS certificates that are proposed to be procured in each
3 future solicitation are shown in Attachment MJH-7.

4

5 Q. How many NEPOOL-GIS certificates will the Company procure in the initial stand-alone
6 procurement?

7 A. In its initial stand-alone procurement, National Grid is proposing to purchase up to 50%
8 of the estimated 2007 Standard Offer Service RES obligation, up to 25% of the estimated
9 2008 Standard Offer Service RES obligation, (iii) up to 16% of the estimated 2009
10 Standard Offer Service RES obligation, and (iv) the estimated RES obligations associated
11 with Last Resort Service for the January 2007 – April 2007 period (since this RES
12 obligation was not purchased as part of the most recent Last Resort Service
13 procurement). The corresponding number of certificates, based on the Base Case
14 analysis, is as follows:

Compliance Year	Initial Last Resort Service Obligation to be Purchased	Initial Standard Offer RES Obligation to be Purchased	Total Initial Obligation to be Purchased	Total Initial Obligation to be Purchased From Existing Resources	Total Initial Obligation to be Purchased From New Resources
2007	2,3483	104,525	107,008	71,339	35,669
2008	none	61,125	61,125	40,750	20,375
2009	none	44,821	44,821	29,881	14,940
2010 and beyond	none	none	none	none	none

15

1 Q. Why is National Grid proposing to purchase only a portion of its Standard Offer RES
2 obligations in each of the procurements?

3 A. National Grid is proposing the proportional procurement approach for several reasons.
4 First, it enables National Grid to adjust the amount of NEPOOL-GIS certificates to more
5 closely align with actual load requirements over time. This prevents National Grid from
6 over or under buying certificates at an early stage in the process. Second, the approach
7 allows National Grid to obtain pricing at various points in time and thus dollar cost
8 average the price that it pays. This protects customers from potential price spikes or
9 purchasing large quantities of certificates at any one point in time at a price that at a later
10 date may appear out of the market. Third, spreading purchases across a period of time
11 rather than all at once allows the market to develop gradually and provides multiple
12 opportunities for new resources to come on-line and be able to compete to sell their
13 available certificates into the Rhode Island marketplace. Finally, the set quantity
14 purchases provide a mechanism to determine which bids to accept and which to reject.
15 As discussed in a later section of my testimony, allowing the lowest cost bidders that
16 satisfy the quantity requirement to determine the acceptable market price results in a
17 market based price limit.

18
19 Q. How will National Grid determine its RES obligation in subsequent procurements?

20 A. In preparation for each subsequent RES procurement, National Grid proposes to update
21 its estimate of its RES obligations based on actual load, updated load forecasts and the
22 number of NEPOOL-GIS Certificates purchased or under contract. National Grid will

1 then provide an informational filing with the Commission of such updated obligations at
2 least 30 days prior to the release of its next procurement.
3

4 Q. How will National Grid select winning bids?

5 A. Upon receiving bids, National Grid will first determine if the bids conform to the Request
6 for Proposals and assess a supplier's ability to provide the proposed certificate. Next,
7 National Grid will develop a bid stack based on bid price (lowest to highest with firmness
8 of supply having priority over bids with equal or comparable price points). National Grid
9 will consider purchasing all bids up to the specified quantity to be procured for the
10 applicable procurement, provided that the bid price is less than the applicable ACP rate.
11 After compiling the bid stack, National Grid will share the information with the Division
12 and identify the bids that the Company intends to accept, before executing any contracts.
13 This will essentially be a "sanity" check that allows the Division an opportunity to
14 determine if the Company's proposed awards are consistent with the intent of the
15 procurement process and do not otherwise raise any issues.
16

17 Q. Will National Grid execute contracts with winning bidders?

18 A. Yes. Once the Division completes its review of the Company's recommended awards
19 and does not object, the Company will execute the contracts, subject to the Company's
20 filing the results of the solicitation with the Commission and a five business day waiting
21 period from the date of the filing. This will give the Commission, if it so chooses, an
22 opportunity to see the results before the contracts become effective. The contracts will

1 be written such that, if the Commission does not take any action to notify the Company
2 that there is an objection by the end of the close of business on the fifth business day, the
3 contracts become effective.

4
5 In the unlikely event the Division raises a concern prior to the filing and the Company
6 and Division cannot agree on whether a bid should be accepted or rejected, then the
7 Company would conditionally accept the bid. Under these circumstances, the Company
8 would file the contract with the Commission, and the contract would not become
9 effective unless the Commission issues an affirmative order approving the contract. This
10 will give the Commission time to consider the Division's and/or Company's concerns
11 before the contract becomes effective. Should the Commission not approve the contract
12 or not issue an order within the 30 day window, then the contract will become null and
13 void and neither National Grid nor the selected bidder shall have any further obligation
14 regarding the contract.

15
16 Q. What form of contract will National Grid utilize?

17 A. A copy of the proposed Certificate Purchase Agreement is provided in the draft Request
18 for Proposals in Attachment MJH-5.

19
20 Q. Will you share bids with the EDC and OER?

21 A. Yes. As required in Section 8.5(i) of the RES Regulations, National Grid will provide
22 copies of the Period II & III bids to the EDC and OER for their review. Both the EDC

1 and the OER may collaborate with National Grid in developing complementary RES
2 programs.

3
4 Q. Will you share bids with other parties interested in purchasing NEPOOL-GIS
5 Certificates?

6 A. Yes. As required in Section 8.5(iii) of the RES Regulations, National Grid will request
7 expressions of interest from other parties interested in purchasing NEPOOL-GIS
8 Certificates for Periods II and III. Once an interested party executes a non-disclosure
9 agreement with National Grid and National Grid has completed its procurement process,
10 National Grid will provide copies of the Period II bids that it did not select and all Period
11 III bids to the interested parties. A copy of the non-disclosure agreement is included in
12 the draft Request for Proposals in Attachment MJH-2.

13
14 Q. How will National Grid include the cost of meeting the RES obligation in its Standard
15 Offer Service rates?

16 A. National Grid will file the results of the procurement with the Commission, including all
17 resulting contracts. The filing will (i) if directed by the Commission to present the cost
18 of the RES obligation as a separate RES Charge, update the Standard Offer RES Charge
19 to reflect the final procurement costs, or (ii) if directed by the Commission to include the
20 final procurement costs of the Standard Offer RES obligation in the Standard Offer
21 Service rates. Any difference between the revenue received from customers and the

1 actual costs to meet the RES obligation would be fully reconcilable in National Grid's
2 annual reconciliation for Standard Offer Service.

3
4 **X. Resource Monitoring, Performance and Review of Procurement Process**

5
6 Q. How will National Grid monitor the performance of its suppliers to ensure that suppliers
7 perform as agreed to in the executed contracts?

8 A. National Grid will require all suppliers of both firm and unit contingent purchases to
9 provide monthly production reports of actual resource performance to National Grid.

10 Such a requirement will be included in the proposed Certificate Purchase Agreement and
11 is provided below:

12 On or before the tenth (10th) day of each month during the Term, Seller shall
13 provide to Buyer a report stating (i) the quantity of MWh produced by each
14 Generating Unit in the preceding calendar month, (ii) the number of NE-GIS
15 Certificates produced by each Generating Unit in the preceding calendar month,
16 and (iii) any adjustments to any such data previously reported by Seller to Buyer
17 (such report, the "Production Report", the data including adjustments thereto, the
18 "Generator Data"). The first Production Report provided by Seller shall include
19 Generator Data beginning as of January XXXX. Each Production Report shall be
20 signed by an officer of Seller verifying that the Production Report is true and
21 accurate.
22

23 For firm purchases that do not identify specific resources, prior to each NEPOOL-GIS
24 Trading Period, National Grid will review with the supplier how many NEPOOL-GIS
25 Certificates the supplier intends to provide in the upcoming NEPOOL-GIS Trading
26 Period. If the supplier expects it will not be able to deliver the expected number of
27 NEPOOL-GIS Certificates, National Grid will be able to utilize the security posted, as

1 described later in my testimony, to purchase replacement NEPOOL-GIS Certificates or
2 make an ACP without incurring incremental costs for its customers.

3
4 For those resources that are under construction or not yet operating, National Grid will
5 require suppliers to provide a quarterly Construction Progress Report to National Grid.
6 Such a requirement will be included in the proposed Certificate Purchase Agreement and
7 is provided below:

8 On or before the tenth (10th) day following the end of a calendar quarter during
9 the Term, Seller shall provide to Buyer a report stating (i) the expected online
10 date of any Generating Unit under construction, (ii) the estimated percent
11 completion of such Generating Unit, (iii) an update on the status of any permits or
12 licenses required for operation of the Generating Unit, and (iv) any issues that
13 may cause a change in the expected online date. The first Construction
14 Progress Report shall be provided by Seller within ten (10) Business Days
15 following execution of this Agreement. Each Construction Progress Report shall
16 be signed by an officer of Seller verifying that the Construction Progress Report
17 is true and accurate.
18

19 Q. How will National Grid ensure its suppliers perform as agreed to in the executed
20 contracts?

21 A. As described generally in Section VII, Risks and Mitigation, above, National Grid will
22 require all suppliers to provide some form of security when entering into a Certificate
23 Purchase Agreement. Such security requirement will be based on the volume of
24 NEPOOL-GIS Certificates expected to be purchased times the difference between the
25 purchase price in the executed agreement and the applicable ACP. If a supplier fails to
26 perform as required in the executed agreement, National Grid would be able to utilize the
27 posted security to purchase replacement NEPOOL-GIS Certificates or make an ACP

1 without incurring any additional costs for its customers. Such security would be
2 provided by a seller in the following forms:

- 3 • Unsecured line of credit for a rated counterparty
- 4 • Parental Guaranty
- 5 • Letter of Credit
- 6 • Cash deposit with National Grid
- 7 • Other form of security mutually agreed to by National Grid and seller
- 8

9 The terms of such security requirement are similar to the security requirement National
10 Grid has included in all of its commodity procurements for Last Resort Service. The
11 security terms are contained in Article 7 of the proposed Certificate Purchase Agreement
12 which is included in Attachment MJH-5.

13
14 Q. How will National Grid incorporate lessons learned in future procurements?

15 A. As part of the required filing of an annual RES Procurement Plan, National Grid will
16 propose changes to the Procurement Plan resulting from lessons learned during the prior
17 compliance year.

18
19 Q. How will National Grid demonstrate its compliance with the RES Regulations?

20 A. As stated earlier in my testimony, National Grid will update its estimate of its RES
21 obligations based on actual load, updated load forecasts and the number of NEPOOL-GIS
22 Certificates purchased or under contract and will provide this in an informational filing
23 with the Commission at least 30 days prior to the release of its next procurement. In

1 addition, as required in Section 7 of the RES Regulations, National Grid will make an
2 annual compliance filing with the Commission.

3

4 **XI. Conclusion**

5 Q. Does this conclude your testimony?

6 A. Yes. It does.

ATTACHMENT MJH – 1

RENEWABLE ENERGY STANDARD OBLIGATIONS

Compliance Year	Total Target Percentage	Percentage from New Renewable Energy Resources	Percentage from <i>either New or Existing Renewable Energy Resources</i>
2007	3.0%	1.0%	2.0%
2008	3.5%	1.5%	2.0%
2009	4.0%	2.0%	2.0%
2010	4.5%	2.5%	2.0%
2011 ^[1]	5.5%	3.5%	2.0%
2012 ^[1]	6.5%	4.5%	2.0%
2013 ^[1]	7.5%	5.5%	2.0%
2014 ^[1]	8.5%	6.5%	2.0%
2015 ^[2]	10.0%	8.0%	2.0%
2016 ^[2]	11.5%	9.5%	2.0%
2017 ^[2]	13.0%	11.0%	2.0%
2018 ^[2]	14.5%	12.5%	2.0%
2019 ^[2]	16.0%	14.0%	2.0%
2020 and thereafter ^[3]	16.0%	14.0%	2.0%

Note 1: In 2010 the Commission is required to investigate the adequacy of renewable energy supplies to meet the increased Target Percentage beginning with the 2011 compliance year.

Note 2: In 2014 the Commission is required to investigate the adequacy of renewable energy supplies to meet the increased Target Percentage beginning with the 2015 compliance year.

Note 3: In 2020 and beyond, the Commission will determine if Target Percentage is no longer necessary for maintaining the objectives of the RES.

ATTACHMENT MJH -2

**FORECAST OF NATIONAL GRID'S RHODE ISLAND
RENEWBLE ENERGY STANDARD OBLIGATION**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Year	Annual Standard Offer Obligation (MWhs)	Percent Change	Estimate of Annual Standard Offer Requirements (MWhs)			Estimate of Standard Offer RES Obligation (RECs)		
			Base Case (0.25% annual increase)	Case 1 (2.4% annual increase)	Case 2 (4.8% annual decrease)	SO Base Case	SO Case 1	SO Case 2
2000	6,991,470							
2001	6,969,189	-0.3%						
2002	6,931,903	-0.5%						
2003	7,096,968	2.4%						
2004	7,239,443	2.0%						
2005	7,297,658	0.8%						
2006 (1)	6,950,954	-4.8%	6,950,954					
2007			6,968,331	7,117,777	6,617,308	209,050	213,533	198,519
2008			6,985,752	7,288,603	6,299,677	244,501	255,101	220,489
2009			7,003,217	7,463,530	5,997,293	280,129	298,541	239,892

Year	Annual Last Resort Obligation (MWhs)	Percent Change	Estimate of Annual Last Resort Requirements (MWhs)			Estimate of Last Resort Service RES Obligation (RECs)		
			Base Case (Flat)	Case 1 (Highest yearly load)	Case 2 (smallest yearly load)	LRS Base Case	SO Case 1	SO Case 2
2000	560,466							
2001	265,721	-52.6%						
2002	49,929	-81.2%						
2003	293,903	488.6%						
2004	211,937	-27.9%						
2005	215,902	1.9%						
2006 (1)	269,996	25.1%	269,996					
2007			269,996	560,466	49,929	8,100	16,814	1,498
2008			269,996	560,466	49,929	9,450	19,616	1,748
2009			269,996	560,466	49,929	10,800	22,419	1,997

Note 1: 12 months ending October 31, 2006

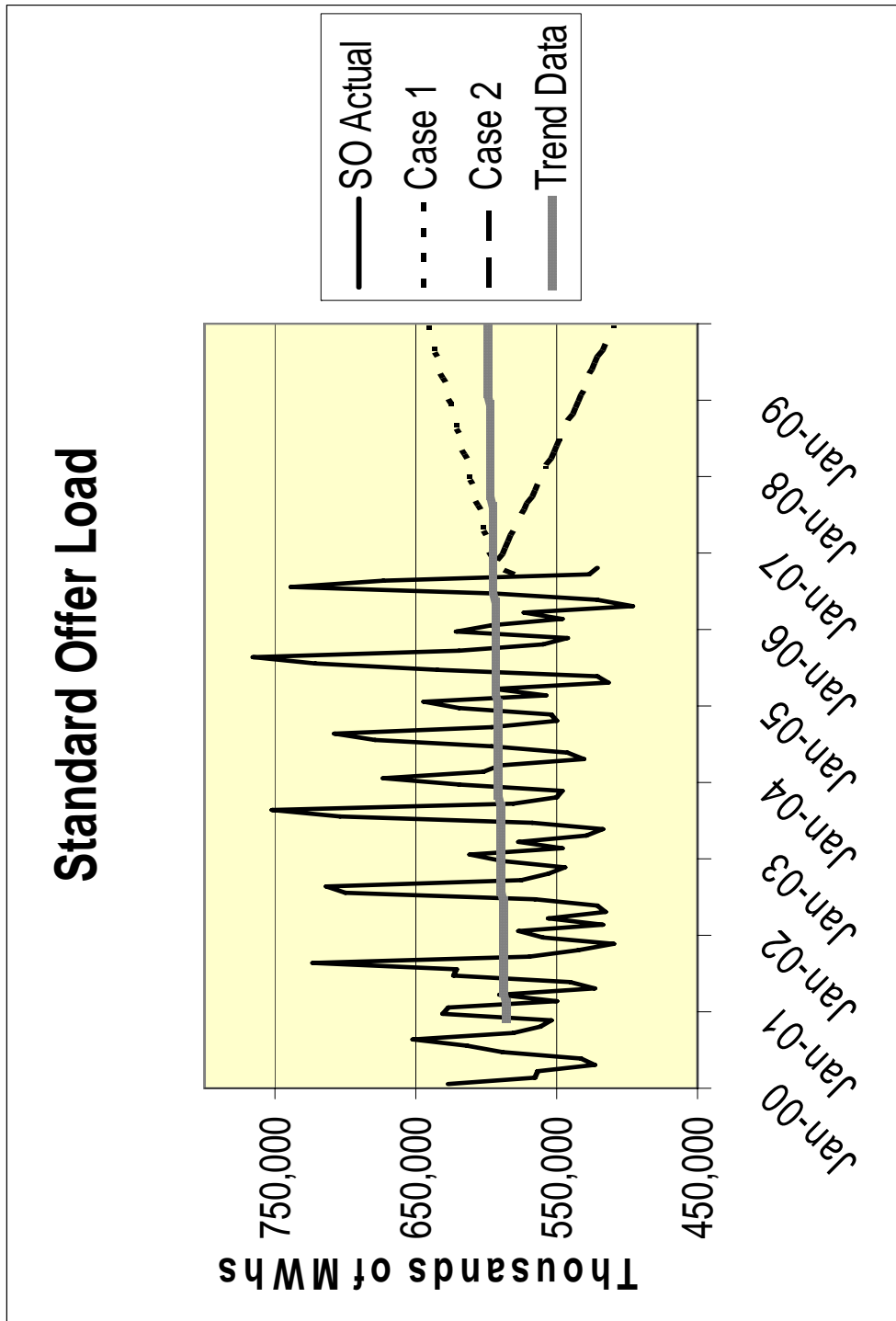
Note 2: Annual RES Obligation:

2007	3.0%
2008	3.5%
2009	4.0%

Column (a) Actual initial load reported to ISO
Column (b) Percent change in load ((Year/Year-1)-1)
Column (c) - For Standard Offer - using 2006 actual load, increased 0.2% per year
For Last Resort - 2006 actual load through all years
Column (d) - For Standard Offer - Column (c) increased by 2.4%
For Last Resort - highest calendar year load
Column (e) - For Standard Offer - Column (c) decreased by 4.8%
For Last Resort - lowest calendar year load
Column (f) - Column (c) times Annual RES Obligation
Column (g) - Column (d) times Annual RES Obligation
Column (h) - Column (e) times Annual RES Obligation

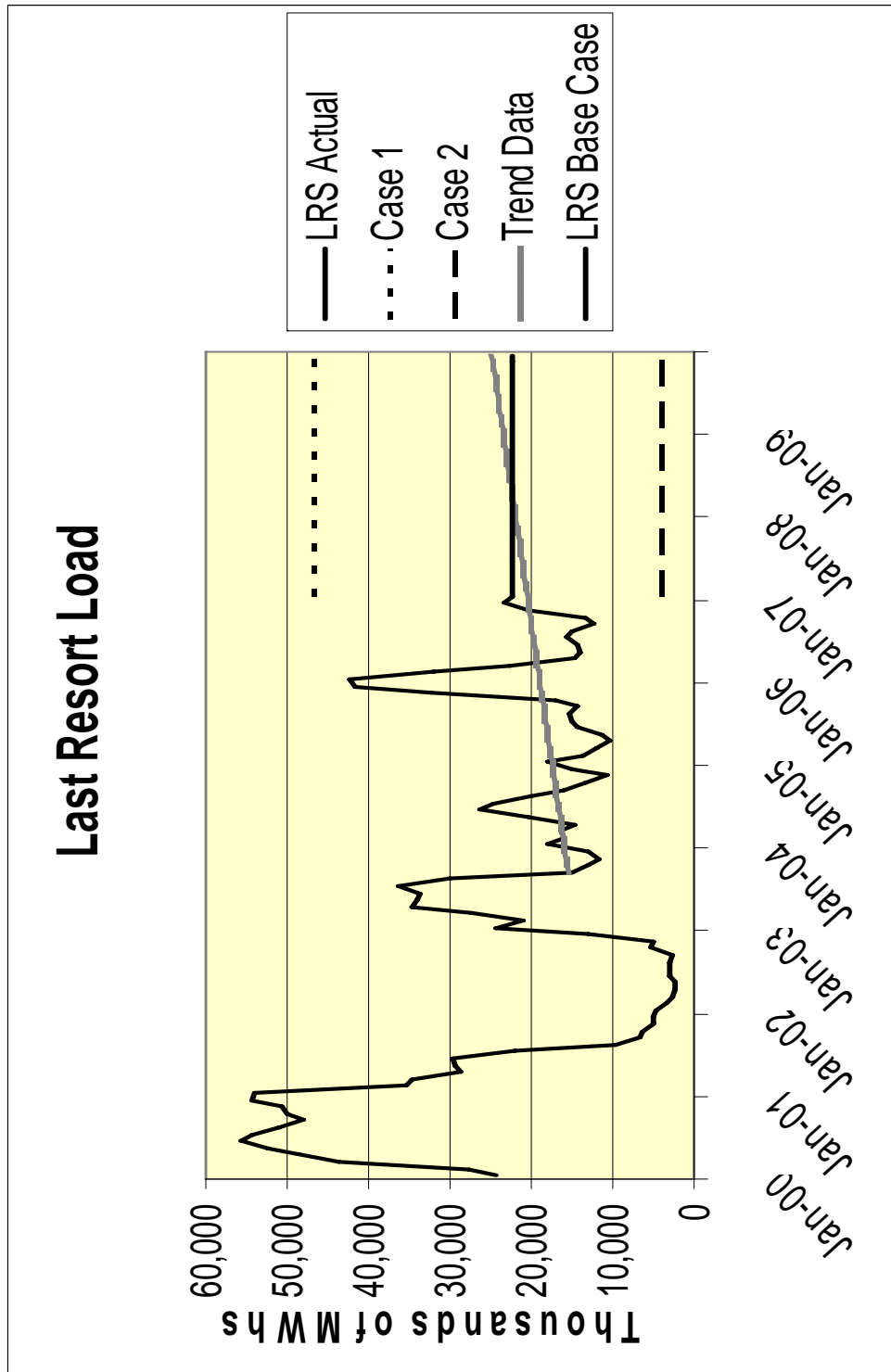
ATTACHMENT MJH – 3

FORECAST OF LOAD



ATTACHMENT MJH – 4

FORECAST OF LOAD



The Narragansett Electric Company d/b/a National Grid

Docket No. 3765

Renewable Energy Standard Procurement Plan

Testimony of M.J. Hager

Attachment MJH-5

Page 1 of 1

ATTACHMENT MJH – 5

PROPOSED RFP FOR NEPOOL-GIS CERTIFICATES IN COMPLIANCE

WITH THE RENEWABLE ENERGY STANDARD

**Request For Proposals
To Provide NEPOOL-GIS
Certificates in Compliance
With the Rhode Island
Renewable Energy
Standard**

For the Period:

Calendar Year 2007

Calendar Year 2008

Calendar Year 2009

Calendar Year 2010 and Beyond

Month XX, 2006

national**grid**

REQUEST FOR PROPOSALS

1. Overview

On June 29, 2004 the Rhode Island General Assembly enacted a Renewable Energy Standard (“RES”)¹ that promotes the development of renewable energy resources in Rhode Island and New England. The RES requires a retail supplier of electricity to obtain a minimum portion of its supply from certain new and existing renewable energy resources. The Rhode Island Public Utilities Commission (“RIPUC”) established rules and regulations implementing these requirements (“RES Rules”). The RES rules can be found at:

[http://www.ripuc.state.ri.us/rulesregs/commrules/3659-RES-FinalRules\(12-7-05\).pdf](http://www.ripuc.state.ri.us/rulesregs/commrules/3659-RES-FinalRules(12-7-05).pdf)

Beginning in 2007, each retail supplier in Rhode Island is required to show that at least 3.0% of its resources are provided from renewable energy resources of which up to 2.0% can be provided from existing renewable energy resources, and at least 1.0% must be provided from new renewable energy resources. The new renewable energy resource requirement increases to 1.5% in 2008 and 2.0% in 2009. A retail supplier may satisfy these requirements by providing attribute certificates from the NEPOOL Generation Information System (“NEPOOL-GIS Certificate” or “REC”), contracting for the output of existing or new renewable energy resources, or making an Alternative Compliance Payment (“ACP”) to the Renewable Energy Development Fund (“REDF”) of the Rhode Island Economic Development Corporation (“EDC”).

National Grid² is seeking proposals for the supply of RECs from generating facilities that have been approved by the RIPUC as either existing or new renewable energy resources that meet the RES requirements. National Grid is seeking proposals that provide RECs that comply with the RES for the following periods:

- Calendar year 2007 (“Period I”),
- Calendar years 2008 and 2009 (“Period II”), and
- Calendar year 2010 and beyond (“Period III”).

National Grid is also seeking statements of interest from third parties interested in purchasing RECs offered in Period II and Period III (“Participating Purchaser”) that are not accepted by National Grid.

National Grid will accept proposals based on the bids received and the best interests of its retail customers in Rhode Island. National Grid reserves the right to determine the

¹ R.I.G.L. § 39-26-1, et seq., Renewable Energy Standard.

² The contracting entity will be The Narragansett Electric Company.

quantity, if any, of certificates purchased through this RFP. Nothing in this RFP, or in any proposal that may be submitted in response to this RFP, shall create any obligation on the part of National Grid.

2. Quantity of Certificates Sought and Description of Proposals

2.1. Quantity of Certificates

National Grid may purchase up to the following quantity of NEPOOL-GIS Certificates to meet its RES obligations in Rhode Island:

Year	NEPOOL GIS Certificates From Either New or Existing Energy Resources	NEPOOL GIS Certificates From New Energy Resources	Total NEPOOL GIS Certificates
2007	tbd	tbd	tbd
2008	tbd	tbd	tbd
2009	tbd	tbd	tbd
2010 and Beyond	n/a	n/a	n/a

2.2. Description of Proposals

National Grid will consider, among other proposals, the following types of proposals for the purchase of Period I and Period II RECs that meet the Rhode Island RES requirements:

- RECs issued by the NEPOOL-GIS in the current trading period.
- RECs to be issued by the NEPOOL-GIS in future trading periods.
- Non-cancelable Forward Certificates issued by the NEPOOL-GIS for future trading periods.
- Options involving the purchase or sale of RECs.

National Grid will also review and discuss proposals that provide such NEPOOL-GIS Certificates using creative approaches not identified above.

Consistent with the RES Rules, National Grid will share the proposals involving Period II that were not selected by National Grid along with all Period III proposals with Participating Purchasers.

2.3 Proposal Documents and Information

To assist Participating Purchasers and Respondents in responding to this RFP, National Grid is providing the RFP, Participating Purchaser non-disclosure agreement and draft Certificate Purchase Agreement on its Power Procurement Web. Please use the following link to access the site:

<http://www.nationalgridus.com/energysupply/>

This site is open to anyone with the above link. No user id or password is required to access the data on the site.

3. General Provisions

3.1 Terms and Conditions

National Grid is seeking to purchase NEPOOL GIS Certificates that are in the best interests of its customers. The winning supplier(s) will be required to execute a Certificate Purchase Agreement with National Grid for the purchase of NEPOOL GIS Certificates. A copy of the proposed Certificate Purchase Agreement is provided in Appendix A. A winning supplier will be required to execute the Certificate Purchase Agreement within five (5) business days of being notified that it has been selected as a winning supplier.

Any proposed changes to the Certificate Purchase Agreement are to be included with Respondent's response to this RFP.

3.2 Proposal Process and Submission Dates

The following table outlines the key dates associated with this procurement process.

Process Step	Date
Issue Request for Proposal	Day 1
Submit Participating Purchaser Information and executed non-disclosure agreement	Day 21 – 5pm EPT
Submit Respondent Proposal Information, Pricing and Proposed Contract Modifications (if applicable)	Day 28 – 5pm EPT
National Grid distributes copies of Bids for Period II & III with the Division of Public Utilities and Carriers (“Division”), Office of Energy Resources, and EDC	Day 30 (2 business days)
National Grid reviews Bids, selects Bids for Period I & II consistent with established criteria and informs selected Respondents.	Day 35 (5 business days)
Execute contracts subject to the RIPUC not initiating an investigation into the solicitation and file results and executed contracts with RIPUC	Day 42 (5 business days)
RIPUC to initiate investigation, if required, or contracts become effective	Day 49 (5 business days)
National Grid provides Participating Purchasers with Period II Bids not selected by National Grid and all of Period III Bids.	Day 60

3.3 Submission Information

Copies of all information pertaining to this RFP should be directed to:

Mr. John D. Warshaw
 Energy Supply – New England
 National Grid
 55 Bearfoot Road
 Northboro, MA 01532
 (508) 421-7357
 (508) 421-7335 (fax)
 e-mail: john.warshaw@us.ngrid.com

3.4 Interested Participating Purchasers

National Grid is requesting Participating Purchasers to provide background information, qualifications and an executed non-disclosure agreement before it shares any Respondent information with the Participating Purchaser. One (1) copy of the Participating

Purchasers information and executed non-disclosure agreement must be received at the above address by 5:00 p.m. EPT on Friday, Day 21. A copy of the non-disclosure agreement is provided in Appendix C.

Participating Purchaser information may be submitted by U.S. Mail, hand delivery, facsimile or e-mail. National Grid is not responsible or liable for submittals that are not received by the specified date and time. Submittals that are not timely received may be rejected.

3.5 Respondent Bid Submittal

National Grid is requesting Respondents to provide background information, qualifications, proposed pricing and proposed contract modifications with their bid response. Upon receipt, National Grid will evaluate each Respondent's qualifications and proposed pricing. Four (4) copies of a Respondent's proposal information, pricing and proposed contract modifications must be received at the above address by 5:00 p.m. EPT on Friday, Day 28. If a Respondent is only providing a bid for Period I, then only one copy is required.

Respondent proposal information may be submitted by U.S. Mail, hand delivery, facsimile or e-mail. National Grid is not responsible or liable for submittals that are not received by the specified date and time. Submittals that are not timely received may be rejected.

National Grid will share a copy of each Period II and Period III bid received³ with the Rhode Island Office of Energy Resources, the Economic Development Corporation, the Division of Public Utilities and Carriers, and any Participating Purchaser that has executed a non-disclosure agreement. National Grid will review the bids received, collaborate with the various state agencies participating in the review process, determine the number of NEPOOL-GIS Certificates it will purchase, if any, and begin to inform Respondents from which they will make such purchases.

National Grid, at its sole discretion, reserves the right to issue additional instructions or requests for additional information, to extend the due date, to modify any provision in the RFP or any appendix thereto and to withdraw the RFP.

3.6 Contact Person/Questions

All questions regarding this Request for Proposal should be directed to John D. Warshaw at the address provided above.

³ Only after executing a confidentiality agreement with the various state agencies.

3.7 Right to Select Supplier

National Grid shall have the exclusive right to select or reject any or all of the proposals submitted at any time, for any reason.

4. Proposal Requirements

4.1 Format of Proposal

The information required by National Grid to evaluate each proposal is identified in Appendix B. Respondents and Participating Purchasers may simply complete the forms provided in Appendix B in any legible fashion and return them to John D. Warshaw as provided in Section 3.4 and Section 3.5. In addition, proposals should contain explanatory, descriptive and/or supporting materials as necessary.

4.2 Proposed Pricing

Respondents must specify the price at which they will sell certificates to National Grid. National Grid is only purchasing RECs from qualifying new or existing renewable generators and will not purchase the energy or other market products from any generator.

It is National Grid's intention to pay a supplier based on the number of valid RECs actually delivered to its account in the NEPOOL-GIS system. Proposed pricing should be structured in such manner.

4.3 Regulatory Approvals

The supplier of the certificates covered by this RFP provide a summary of all necessary regulatory approvals required to enable it to provide Rhode Island RES compliant NEPOOL-GIS Certificates.

5. Selection Process

The criteria to be used in evaluating proposals will include, but is not limited to:

- Lowest evaluated bid price.
- Quantity of NEPOOL-GIS Certificates offered.
- Ability of supplier to meet its obligation to deliver NEPOOL-GIS Certificates.
- Firmness of delivery.
- The supplier's past experience in providing similar services to National Grid;

- The supplier's past experience in providing similar services to other companies in New England;
- The supplier's past experience in providing similar services to other companies in other regions;
- The supplier's demonstrated understanding of its obligations under the proposed Certificate Purchase Agreement; and
- Whether there have been any past or are any present events that are known that may adversely affect the supplier's ability to provide NEPOOL-GIS Certificates.
- Location of the renewable resource(s),

National Grid will treat the information it receives from a supplier in a confidential manner and will only share such information with the Office of Energy Resources, the EDC, the Division, and any Participating Purchaser who has executed a non-disclosure agreement. National Grid will not, except as required by law or regulatory authority, disclose such information to any third party or use such information for any purpose other than in connection with this RFP.

6. Participating Purchasers

Once National Grid has completed its selection of proposals in this RFP, it will provide copies of proposals for Period II bids not selected by National Grid as well as all Period III proposals to Participating Purchasers. National Grid will also provide a list of the Participating Purchasers to those Respondents who provided Period II proposals and were not selected by National Grid to meet its RES Obligations and all Respondents with Period III proposals. While National Grid will initiate negotiations between Participating Purchasers and Respondents, National Grid will not be a party to any final agreements negotiated between parties. National Grid will also not provide any financing or security arrangements that may be required by a party.

APPENDIX A

PROPOSED CERTIFICATE PURCHASE AGREEMENT

RHODE ISLAND CERTIFICATE PURCHASE AGREEMENT

This **CERTIFICATE PURCHASE AGREEMENT** (“Agreement”) is dated as of _____ and is by and between **THE NARRAGANSETT ELECTRIC COMPANY d/b/a “National Grid”**, a Rhode Island corporation (“Buyer”) and _____ a _____ Corporation (“Seller”). This Agreement provides for the sale by Seller of NEPOOL-GIS Certificates, as defined herein, to Buyer. The Buyer and Seller are referred to herein individually as a “Party” and collectively as the “Parties”.

ARTICLE 1. BASIC UNDERSTANDINGS

Seller, in response to a Request for Proposal dated Month XX, 2006 issued by the Buyer, has been selected to supply a quantity of NEPOOL-GIS Certificates to meet a portion of the Buyer’s requirements to comply with the RES Regulations, as defined herein. This Agreement sets forth the terms under which Seller will supply a quantity of NEPOOL-GIS Certificates to the Buyer.

ARTICLE 2. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings specified in this Article. In addition, except as otherwise expressly provided, terms with initial capitalization used in this Agreement and not defined herein shall have the meaning as defined in the NEPOOL Rules.

Affiliate means, with respect to any Party, any entity (other than a person) that, directly or indirectly, controls, or is controlled by or is under common control with such Party. For this purpose, “control” means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

Alternative Compliance Payment Rate means the value as published by the Rhode Island Public Utilities Commission in accordance with Section 3.1 of the RES Regulations.

Business Day means a 24-hour period ending at 5:00 p.m. EPT, other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in Providence, Rhode Island are authorized by law or other governmental action to close.

Buyer means The Narragansett Electric Company, its successors, assigns, employees, agents and authorized representatives.

Commission means the Federal Energy Regulatory Commission.

Credit Rating means (i) the lower of the ratings assigned to an entity’s unsecured, senior long-term debt obligations (not supported by third party credit enhancements) by S&P and Moody’s, (ii) in the event the entity does not have a rating for its senior unsecured long-term debt, the lower of the rating assigned to the entity as an issuer rating by S&P and Moody’s, or the rating

assigned to the entity as an issuer rating by any other rating agency agreed to by both Parties in each Party's sole and exclusive judgment.

EPT means Eastern Prevailing Time.

Existing Renewable Energy Resource means as defined in Section 3.9 of the RES Regulations.

Generating Unit means _____.

Governing Documents means, with respect to any particular entity, (a) if a corporation, the (i) articles of organization, articles of incorporation or certificate of incorporation and (ii) the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles or certificate of organization or formation and operating agreement; (e) if another type of entity, any other charter or similar document adopted or filed in connection with the creation, formation or organization of such entity; (f) all equity holders' agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any entity or relating to the rights, duties and obligations of the equity holders of any entity; and (g) any amendment or supplement to any of the foregoing.

Interest Rate means, for any date, the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in *The Wall Street Journal* under "Money Rates" on such day (or if not published on such day, on the most recent preceding day on which published), plus two percent (2%) and (b) the maximum rate permitted by applicable law.

Investment Grade means (i) if any entity has a Credit Rating from both S&P and Moody's then, a Credit Rating from S&P equal to "BBB-" and a Credit Rating from Moody's equal to "Baa3"; or (ii) if an entity has a Credit Rating from only one of S&P and Moody's, then a Credit Rating from S&P equal to "BBB-" or a Credit Rating from Moody's equal to "Baa3 or (iii) if the Parties have mutually agreed in writing on an additional or alternative rating agency, then a credit rating equal to that mutually agreed to by the Parties in each Party's sole and exclusive judgment.

ISO means ISO New England Inc., authorized by the Commission to exercise for New England the functions required pursuant to the Commission's Order No. 2000 (and its progeny) and the Commission's regulations, and any successor organization (including but not limited to a Regional Transmission Organization.).

ISO Tariff means the ISO New England Inc. Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3, as amended, modified, superseded and supplemented from time to time, and including the Market Rules and Procedures.

ISO New England Operating Documents means the ISO Tariff and the ISO New England Operating Procedures, as amended, modified, superseded and supplemented from time to time.

Market Rules and Procedures means the Market Rules, Manuals and Procedures adopted by the ISO and/or NEPOOL, as may be amended from time to time, and as administered by the ISO to govern the operation of the NEPOOL markets.

Material Adverse Effect means, with respect to a Party, any change in or effect on such Party after the date of this Agreement that is materially adverse to the transactions contemplated hereby, excluding any change or effect resulting from (a) changes in the international, national, regional or local wholesale or retail markets for electric power; (b) changes in the international, national, regional or local markets for any fuel; (c) changes in the North American, national, regional or local electric transmission or distribution systems; and (d) any action or inaction by a governmental authority, but in any such case not affecting the Parties or the transactions contemplated hereby in any manner or degree significantly different from others in the industry as a whole.

Moody's means Moody's Investors Service, its successors and assigns.

MWh means Megawatt-hour.

NEPOOL-GIS means the NEPOOL Generation Information System, which includes a generation information database and certificate system, operated by NEPOOL, its designee or successor entity, that accounts for generation attributes of electricity consumed within New England.

NEPOOL-GIS Certificates means an electronic record produced by the NEPOOL-GIS that identifies the relevant generation attributes of each MWh accounted for in the NEPOOL-GIS that complies with the RES Regulations. NEPOOL-GIS Certificates shall represent the Generation Attributes of either New Renewable Energy Resources or Existing Renewable Energy Resources and conform to the eligibility criteria set forth in the RES Regulations, and shall represent title to and claim over all environmental attributes associated with the specified MWh of generation from either a New Renewable Energy Resource or Existing Renewable Energy Resource.

NEPOOL-GIS Certificate Purchase Price means _____.

NEPOOL-GIS Certificate Quantity means _____.

NEPOOL Agreement means the Second Restated New England Power Pool Agreement dated as of February 1, 2005, as amended or accepted by the Commission and as may be amended, modified, superseded, supplemented and/or restated from time to time.

NEPOOL GIS Operating Rules means the New England Power Pool Generation Information System Operating Rules as may be amended from time to time pursuant to the NEPOOL Agreement.

NEPOOL Rules means all rules adopted by NEPOOL or the ISO, as such rules may be amended, modified, supplemented or superseded and restated from time to time, including but not limited to, the NEPOOL Agreement, the ISO Tariff, the ISO New England Operating Documents, the Transmission Operating Agreement, the Participants Agreement, the NEPOOL Manuals, and the NEPOOL Operating Procedures, as amended, superseded or restated from time to time.

Net Worth means total assets, exclusive of intangible assets, less total liabilities, as reflected on the most recent balance sheet prepared by a certified public accountant as part of a certified

financial statement in accordance with generally accepted accounting principles consistently applied in the business sector of the Seller.

New Renewable Energy Resource means as defined in Section 3.22 of the RES Regulations.

RES means Renewable Energy Standard.

RES Regulations means the Rules and Regulations Governing The Implementation Of A Renewable Energy Standard promulgated pursuant to the Renewable Energy Standard Law Section 39-26-1 et seq. of the General Laws of Rhode Island that implement a Renewable Energy Standard to facilitate the development of renewable energy resources for the benefit of customers in Rhode Island.

RIPUC means the Rhode Island Public Utilities Commission.

Security means the product of (i) the NEPOOL-GIS Certificate Quantity in a year and (ii) the positive difference between the Alternative Compliance Rate and the NEPOOL-GIS Certificate Purchase Price.

S&P means Standard & Poor's Rating Group, its successors and assigns.

Trading Period means the term as defined in the NEPOOL GIS Operating Rules.

ARTICLE 3. Effective Date; Condition Precedent; Filing Obligation; Term

(a) No later than two business days from execution of the Agreement, Buyer will file the results of the RES solicitation with the RIPUC. This Agreement shall take effect upon the close of business on the fifth business day following the filing (not including the date of filing) (“Five Day Waiting Period”) unless the RIPUC communicates to the Buyer that it has concerns about the bid awards, requires further time for review for any reason, or otherwise does not desire the Buyer to go forward with the Agreement (“RIPUC Notice”). If the Buyer receives such RIPUC Notice, it will immediately notify Seller.

If Buyer receives a RIPUC Notice, as provided above, either Buyer or Seller may unilaterally terminate this Agreement upon written notice to the other at any time thereafter. If, however, neither party opts to terminate the Agreement, there shall be an additional thirty calendar day waiting period (“Extended Waiting Period”) following the Five Day Waiting Period. In such case, this Agreement shall not take effect unless and until the RIPUC affirmatively approves this Agreement without conditions (“RIPUC Approval”) before the end of this Extended Waiting Period. If RIPUC Approval is not obtained by the end of the Extended Waiting Period, this Agreement shall terminate and have no legal force and effect.

(b) As of the expiration of this Agreement or, if earlier, its termination, the Parties shall no longer be bound by the terms and provisions hereof, except (a) to the extent necessary to enforce the rights and obligations of the Parties arising under this Agreement before such expiration or termination and (b) the obligations of the Parties hereunder with respect to audit rights, remedies for default, damages claims, indemnification and defense of claims shall survive

the termination or expiration of this Agreement to the full extent necessary for their enforcement and the protection of the Party in whose favor they run, subject to any time limits specifically set forth in this Agreement.

ARTICLE 4. SALE AND PURCHASE

Section 4.1 Provision Delivery and Receipt

Seller shall sell and deliver and the Buyer shall purchase and receive [**describe specifics of NEPOOL-GIS Certificates sold (how many, in what Trading Period(s) and from what source, timing of delivery)**]. Seller shall utilize the NEPOOL-GIS to transfer NEPOOL-GIS Certificates to an account within the NEPOOL-GIS designated by the Buyer at least five (5) Business Days prior to the end of the applicable Trading Period.

Section 4.2 Seller Responsibilities:

(a) The NEPOOL-GIS Certificates sold and delivered to the Buyer's account under this Agreement are free and clear of any liens, encumbrances and title defects;

(b) Seller has obtained all necessary regulatory approvals required to enable it to provide NEPOOL-GIS Certificates and that the NEPOOL-GIS Certificates sold hereunder are compliant with the RES Regulations; and

(c) The NEPOOL-GIS Certificates sold hereunder shall not have otherwise been, nor will be, sold, retired, claimed or represented as part of electricity output or sales, or used to satisfy obligations in any other jurisdiction.

Section 4.3 Production Report

On or before the tenth (10th) day of each month during the Term, Seller shall provide to Buyer a report stating (i) the quantity of MWhs produced by each Generating Unit in the preceding calendar month, (ii) the number of NEPOOL-GIS Certificates produced by each Generating Unit in the preceding calendar month, and (iii) any adjustments to any such data previously reported by Seller to Buyer (such report, the "Production Report", the data including adjustments thereto, the "Generator Data"). The first Production Report provided by Seller shall include Generator Data beginning as of [TBD]. Each Production Report shall be signed by an officer of Seller verifying that the Production Report is true and accurate.

Section 4.4 Construction Progress Report

On or before the tenth (10th) day following the end of a calendar quarter during the Term, Seller shall provide to Buyer a report stating (i) the expected online date of any Generating Unit under construction, (ii) the estimated percent completion of such Generating Unit, (iii) an update on the status of any permits or licenses required for operation of the Generating Unit, and (iv) any issues that may cause a change in the expected online date. The first Construction Progress Report shall be provided by Seller within ten (10) Business Days following execution of this Agreement. Each Construction Progress Report shall be signed by an officer of Seller verifying that the Construction Progress Report is true and accurate.

ARTICLE 5. AMOUNT, BILLING and PAYMENT

Section 5.1 Amount

The amount payable by Buyer to Seller for NEPOOL-GIS Certificates shall be the product of (a) the number of NEPOOL-GIS Certificates transferred and confirmed during a Trading Period and (b) NEPOOL-GIS Certificate Purchase Price in that Trading Period. The total quantity of NEPOOL-GIS Certificates transferred and confirmed in a Trading Period shall not exceed the NEPOOL-GIS Certificates Quantity for the applicable Trading Period.

Section 5.2 Billing and Payment

(a) After each NEPOOL-GIS Certificate transfer has been confirmed, the Seller shall calculate the amount due and payable to Seller pursuant to this Article and provide an invoice ("Invoice") for such amount. The Invoice shall be provided to the Buyer and shall include sufficient detail for the Buyer to verify its formulation and computation.

(b) The Buyer shall pay Seller the amount due and owing in accordance with Section 5.1 on the fifteenth (15th) Business Day after receiving the Invoice (the "Due Date"). If all or any part of such amount remains unpaid after the Due Date, interest shall accrue after but not including the Due Date and be payable to Seller on such unpaid amount at a rate per annum equal to two percent (2%) above the Prime Rate in effect on the Due Date.

(c) Each Party shall notify the other Party upon becoming aware of an error in an Invoice (whether the amount is paid or not) and Seller shall promptly issue a corrected Invoice. Overpayments shall be returned by the receiving Party upon request or deducted by the receiving Party from subsequent invoices, with interest accrued at a rate per annum equal to two percent (2%) above the Prime Rate in effect on the Due Date from the date of the receipt of the overpayment until the date paid or deducted.

Section 5.3 Challenge to Invoices

Unless otherwise agreed: (i) either Party may challenge, in writing, the accuracy of Invoices (or the data utilized in the forgoing) and payments no later than twenty-four (24) months after the Due Date of the Invoice in which the disputed information is contained; (ii) if a Party does not challenge the accuracy within such twenty-four (24) month period, such Invoice shall be binding upon that Party and shall not be subject to challenge. If an Invoice is paid and thereafter the payment or the Invoice on which the payment was based is disputed, upon notice of dispute, the Party receiving payment shall hold the amount in dispute in escrow for the benefit of the prevailing Party until the resolution of such dispute. If any amount in dispute is ultimately determined (under the terms herein) to be due to the other Party, it shall be paid or returned (as the case may be) to the other Party within three (3) Business Days of such determination along with interest accrued at the Interest Rate from the (i) date due and owing in accordance with the Invoice until the date paid or (ii) if the amount was paid and is to be returned, from the date paid, until the date returned.

Section 5.4 Taxes, Fees and Levies

Seller shall be obligated to pay all present and future taxes, fees and levies ("Taxes") which may be assessed by any entity upon the Seller's provision of NEPOOL-GIS Certificates to the Buyer.

Section 5.5 Netting and Setoff

Except for security provided pursuant to Section 6.3 (which shall not be considered for purposes of this Section 5.5) and unless otherwise specified in another agreement between the Parties, if the Parties are required to pay an amount on the same date each to the other under this Agreement or any other agreement between the Parties, such amounts shall be netted, and the Party owing the greater aggregate amount shall pay to the other Party any difference between the amounts owed. Each Party reserves all rights, setoffs, counterclaims and other remedies and defenses (to the extent not expressly herein or therein waived or denied) that such Party has or to which such Party may be entitled arising from or out of this Agreement or the other agreement. Further, if the Buyer incurs any costs or charges that are the responsibility of Seller under this Agreement, such costs or charges may, at the Buyer's election, be netted against any amount due to Seller under this Agreement. All outstanding obligations to make payment under this Agreement or any other agreement between the Parties may be netted against each other, set off or recouped there from, or otherwise adjusted.

ARTICLE 6. DEFAULT AND TERMINATION

Section 6.1 Events of Default

(a) Any one or more of the following events shall constitute an "Event of Default" hereunder with respect to the Buyer:

(i) Failure of the Buyer

(A) in any material respect to comply with, observe or perform any covenant, warranty or obligation under this Agreement (but excluding events that are otherwise specifically covered in this Section as a separate Event of Default and except attributable to Seller's' wrongful act or failure to act in breach of this Agreement); and

(B) After receipt of written notice from Seller such failure continues for a period of five (5) Business Days, or, if such failure cannot be reasonably cured within such five (5) Business Day period, such further period as shall reasonably be required to effect such cure (but in no event longer than thirty (30) days), provided that the Buyer (x) commences within such five (5) Business Day period to effect a cure and at all times thereafter proceeds diligently to complete the cure as quickly as possible and (y) provides to Seller written documentation of its efforts and plan to cure and estimated time for completion of the cure.

(b) Any one or more of the following events shall constitute an "Event of Default" hereunder with respect to Seller:

(i) Failure of Seller

(A) in any material respect to comply with, observe, or perform any covenant, warranty or obligation under this Agreement (but excluding events that are otherwise specifically covered in this Section as a separate Event of Default and except attributable to the Buyer's wrongful act or wrongful failure to act in breach of this Agreement); and

(B) after receipt of written notice from the Buyer such failure continues for a period of five (5) Business Days, or, if such failure cannot be reasonably cured within such five (5) Business Day period, such further period as shall reasonably be required to effect a cure (but in no event longer than thirty (30) days), provided that Seller (x) commences within such five (5) Business Day period to effect such cure and at all times thereafter proceeds diligently to complete the cure as quickly as possible and (y) provides to Buyer written documentation of its efforts and plan to cure and estimated time for completion of the cure;

(ii) Failure of Seller to transfer NEPOOL-GIS Certificates in accordance with Article 4.

(iii) Failure of Seller to satisfy its obligation to provide security when due and in accordance with Section 6.3

(c) Any one or more of the following events with respect to either Party shall constitute an "Event of Default" hereunder with respect to such Party:

(i) The entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of such Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or (B) a decree or order adjudging such Party as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Party under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of such Party or of any substantial part of its property, or ordering the winding up or liquidation of its affairs;

(ii) The commencement by such Party of a voluntary case or proceeding, or any filing by a third party of an involuntary case or proceeding against a Party that is not dismissed within thirty (30) days of such third party's filing, under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of such Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a

custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of a Party or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by such Party in furtherance of any such action;

- (iii) Any representation or warranty made by a Party is or becomes false or misleading in any material respect.

Section 6.2 Remedies Upon Default

The Parties shall have the following remedies available to them with respect to the occurrence of an Event of Default with respect to the other Party hereunder:

(a) Upon the occurrence of an Event of Default, the non-defaulting Party shall have the right to (i) continue performance under this Agreement and exercise such rights and remedies as it may have at law, in equity or under this Agreement and seek remedies as may be necessary or desirable to enforce performance and observation of any obligations and covenants under this Agreement, so long as such rights and remedies are not duplicative of any other rights and remedies hereof, and do not otherwise enable the non-defaulting Party to obtain performance or payments in excess of the performance and payments to which it is otherwise entitled pursuant to this Agreement, or (ii) at its option, give such defaulting Party a written notice (a "Termination Notice"). Termination shall be effective on the date set forth in the Termination Notice, which date shall be no more than twenty (20 business Days after the date such Termination Notice is provided to the Defaulting Party in accordance with Article 7.

(b) Notwithstanding any other provision of this Agreement, the cure an Event of Default or failure to comply with, observe or perform any covenant, warranty or obligation under this Agreement within the period provided therefor in this Article shall not release such defaulting Party from its liability to indemnify, save harmless and defend the non-defaulting Party for any claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses (including the costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) relating to, arising out of or resulting from such Event of Default or any failure to comply with, observe or perform any covenant, warranty or obligation under this Agreement.

(c) In the event Seller causes or suffers an Event of Default and the Buyer elects to terminate this Agreement, Seller shall pay the Buyer an amount equal to the positive amount, if any, of the costs, fees and expenses of the Buyer making an Alternative Compliance Payment equivalent for all remaining NEPOOL-GIS Certificates to be transferred under this Agreement, less the NEPOOL-GIS Certificate Purchase Price the Buyer would have had to pay Seller for the same number of NEPOOL-GIS Certificates.

(d) In the event the Buyer causes or suffers an Event of Default and Seller elects to terminate this Agreement, the Buyer shall pay Seller the positive amount, if any, equal to the product of (i) the remaining NEPOOL-GIS Certificates to be transferred under this Agreement and (ii) the positive difference, if any, of the NEPOOL-GIS Certificate Purchase Price less the aggregate market price as of the date of termination for a quantity of NEPOOL-GIS Certificates

of equal vintage as specified in Article 4. The aggregate market price is to be determined based upon the average of prices quoted by three independent third party brokerage services selected by Seller and reasonably acceptable to the Buyer.

Section 6.3 Security

(a) Seller, at all times during the term of this Agreement, shall either (i) maintain (A) a Credit Rating at least equal to Investment Grade (the “Credit Requirements”) or (ii) provide Security in accordance with Section 6.3(b). Prior to the Commencement Date and at any time upon the request of Buyer, Seller (or its guarantor at any time that a guaranty delivered pursuant to Paragraph (A) of Subsection (b) of this Section is in effect) shall establish that it meets the Credit Requirements by providing (x) a certificate of an authorized officer, accompanied by supporting certified financial statements and (y) documentation of all Credit Ratings. Seller shall inform the Buyer within one (1) Business Day of any failure of it or its guarantor (at any time that a guaranty delivered pursuant to Paragraph (A) of Subsection (b) of this Section is in effect, no longer meeting the Credit Requirements) to meet Credit Requirements, or of being placed by S&P or Moody's on credit watch, under review for a downgrade or with negative implications.

(b) If, at any time during the term of this Agreement, Seller fails to meet the Credit Requirements, then Seller shall provide (i) Security to the Buyer; and (ii) in one of the following forms, within five (5) Business Days of the occurrence of such failure to meet the Credit Requirements:

- (A) A guaranty of Seller's obligations hereunder issued by an Affiliate of Seller that meets the Credit Requirements and in substantially the form set forth in Appendix A attached hereto;
- (B) An irrevocable, transferable standby letter of credit (x) issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least “A-” from S&P or “A3” from Moody's, (y) in a form acceptable to Buyer, including a provision permitting the Buyer upon an Event of Default as to Seller to draw down, on one or more occasions, in whole or in part, as the case may be, on the letter of credit and also permitting the Buyer to draw down an amount equal to Buyer's Termination Damages without giving effect to Section 5.5 (Netting and Setoff), and (z) that shall terminate no earlier than 120 days from the later of the termination or expiration of the Agreement. If Seller is required to provide the bank with a guarantee or any other form of financial assurance from one or more other entities to secure its letter of credit obligations, then such entities shall also guarantee all of Seller's obligations to the Buyer under this Agreement;
- (C) U.S. Dollars delivered by wire transfer of immediately available funds; or
- (D) Any alternate form of credit support proposed by Seller that the Buyer deems acceptable, in its sole discretion; provided however, the Buyer is under no obligation to accept any alternate form of credit support and may withhold consent to any such alternate form for any reason.

Section 6.4 Forward Contract.

Each Party represents and warrants to the other that it is a “forward contract merchant” within the meaning of the United States Bankruptcy Code, that this Agreement is a “forward contract” within the meaning of the United States Bankruptcy Code, and that the remedies identified in this Agreement, including but not limited to those specified in Section 7, shall be “contractual rights” as provided for in 11 U.S.C. § 556 as that provision may be amended from time to time.

ARTICLE 7. NOTICES, REPRESENTATIVES OF THE PARTIES

Section 7.1 Notices

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. It shall either be sent by facsimile (with receipt confirmed by telephone and electronic transmittal receipt), courier, personally delivered (including overnight delivery service) or mailed, postage prepaid, to the representative of the other Party designated in accordance with this Article. Any such notice, demand, or request shall be deemed to be given (i) when sent by facsimile confirmed by telephone and electronic transmittal receipt, (ii) when actually received if delivered by courier or personal delivery (including overnight delivery service) or (iii) seven (7) days after deposit in the United States mail, if sent by first class mail return receipt requested.

Notices and other communications by Seller to the Buyer shall be addressed to:

Mr. Michael J. Hager
Vice President, Energy Supply – New England
National Grid
55 Bearfoot Road
Northborough, MA 01532
(508) 421-7350 (phone)
(508) 421-7335 (fax)

and

Notices concerning Article 7 shall also be sent to:

General Counsel
National Grid
25 Research Drive
Westborough, MA 01582
(508) 389-9000 (phone)
(508) 389-2605 (fax)

Notices and other communications by the Buyer to Seller shall be addressed to:

[Name]
[Company]
[Address]
[City, State & Zip]
[Phone]
[FAX]

Any Party may change its representative or address for notices by written notice to the other Party; however such notice shall not be effective until it is received by the other Party.

Section 7.2 Authority of Representative

The Parties' representatives shall have full authority to act for their respective Party in all matters relating to the performance of this Agreement. Notwithstanding the foregoing, a Party's representative shall not have the authority to amend, modify, or waive any provision of this Agreement unless they are duly authorized officers of their respective entities and such amendment, modification or waiver is made in accordance with Article 15.

ARTICLE 8. LIABILITY; INDEMNIFICATION; RELATIONSHIP OF PARTIES

Section 8.1 Limitation on Consequential, Incidental and Indirect Damages

EXCEPT AS EXPRESSLY PROVIDED IN SECTION 8.2, TO THE FULLEST EXTENT PERMISSIBLE BY LAW, NEITHER THE BUYER NOR SELLER, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, PARENT OR AFFILIATES, SUCCESSOR OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES, SUCCESSORS, OR ASSIGNS, SHALL BE LIABLE TO THE OTHER PARTY OR ITS PARENT, SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES (INCLUDING ATTORNEY'S FEES OR LITIGATION COSTS EXCEPT AS EXPRESSLY PROVIDED IN 13.2 AND IN ACCORDANCE WITH THE LIMITATION THEREUNDER) CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, OR ANY OTHER THEORY OF RECOVERY. THE PROVISIONS OF THIS SECTION SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS AGREEMENT.

Section 8.2 Indemnification

(a) Seller agrees to defend, indemnify and save the Buyer, its officers, directors, employees, agents, successors assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of a representation or warranty or failure to perform any covenant or agreement in this Agreement by Seller, (b) any violation of applicable law, regulation or order by Seller, (c) any act or omission by Seller with respect to this Agreement, first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee, or Affiliate of the Buyer or its respective successors or assigns.

(b) The Buyer agrees to defend, indemnify and save Seller, its officers, directors, employees, agents, successor, assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of representation or warranty or failure to perform any covenant or agreement in this Agreement by said Buyer, (b) any violation of applicable law, regulation or order by Buyer, (c) any act or omission by the Buyer, with respect to this Agreement first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee or Affiliate of Seller or its respective successors or assigns.

(c) If any Party intends to seek indemnification under this Section from the other Party with respect to any action or claim, the Party seeking indemnification shall give the other Party notice of such claim or action within thirty (30) days of the later of the commencement of, or actual knowledge of, such claim or action; provided, however, that in the event such notice is delivered more than thirty (30) days after the Party seeking indemnification knows of such claim or action, the indemnifying Party shall be relieved of its indemnity hereunder only if and to the extent such indemnifying Party was actually prejudiced by such delay. The Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such claim or action. The Party seeking indemnification shall not compromise or settle any such claim or action without the prior consent of the other Party, which consent shall not be unreasonably withheld.

Section 8.3 Independent Contractor Status

Nothing in this Agreement shall be construed as creating any relationship between the Buyer and Seller other than that of independent contractors for the sale and delivery of NEPOOL-GIS Certificates.

ARTICLE 9. ASSIGNMENT

Section 9.1 General Prohibition Against Assignments

Except as provided in Section 9.2, neither Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld.

Section 9.2 Exceptions to Prohibition Against Assignments

(a) Seller may, without the Buyer's prior written consent, collaterally assign this Agreement in connection with financing arrangements provided that any such collateral assignment that provides for the Buyer to direct payments to the collateral agent (i) shall be in writing, (ii) shall not be altered or amended without prior written notice to the Buyer from both Seller and the collateral agent, and (iii) provided that any payment made by the Buyer to the collateral agent shall discharge the Buyer's obligation as fully and to the same extent as if it had been made to the Seller. Seller must provide the Buyer at least ten (10) days advance written notice of collateral assignment and provide copies of any such assignment and relevant agreements or writings.

(b) The Buyer may assign all or a portion of its rights and obligations under this Agreement to any Affiliate of the Buyer without consent of Seller. Either Party may, upon written notice, assign its rights and obligations hereunder, or transfer such rights and obligations by operation of law, to any entity with which or into which such Party shall merge or consolidate or to which such Party shall transfer all or substantially all of its assets, provided that such other entity agrees to be bound by the terms hereof and provided further, that such other entity's creditworthiness is comparable to or higher than that of such Party at the time this Agreement was executed and such Party is not relieved of any obligation or liability hereunder as a result of such assignment

ARTICLE 10. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and permitted assigns.

ARTICLE 11. WAIVERS

No delay or omission in the exercise of any right under this Agreement shall impair any such right or shall be taken, construed or considered as a waiver or relinquishment thereof, but any such right may be exercised from time to time and as often as may be deemed expedient. The waiver of any single breach or default of any term or condition of this Agreement shall not be deemed to constitute the waiver of any other prior or subsequent breach or default of the Agreement or any other term or condition.

ARTICLE 12. LAWS AND REGULATIONS

(a) This Agreement and all rights, obligations, and performances of the Parties hereunder, are subject to all applicable federal and state laws, and to all duly promulgated orders and other duly authorized action of governmental authorities having jurisdiction hereof.

(b) The rates, terms and conditions contained in this Agreement are not subject to change under Section 205 of the Federal Power Act as that section may be amended or superseded, absent the mutual written agreement of the Parties. Each Party irrevocably waives its rights, including its rights under §§ 205-206 of the Federal Power Act, unilaterally to seek or support a change in the rate(s), charges, classifications, terms or conditions of this Agreement or any other agreements entered into in connection with this Agreement. By this provision, each Party expressly waives its right to seek or support: (i) an order from the Commission finding that the market-based rate(s), charges, classifications, terms or conditions agreed to by the Parties in the Agreement are unjust and unreasonable; or (ii) any refund with respect thereto. Each Party agrees (x) not to make or support such a filing or request, (y) that these covenants and waivers shall be binding notwithstanding any regulatory or market changes that may occur hereafter and (z) that it shall not challenge or support a challenge to the enforceability of the waiver in this Section (b).

(c) Absent the agreement of all Parties to a proposed change, the standard of review for changes to this Agreement proposed by a non-party or the Commission acting sua sponte shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the "Mobile-Sierra" doctrine).

(d) The Parties agree that, if and to the extent that the Commission adopts a final rule or order which requires that, in order to exclude application of the just and reasonable standard of review and to mandate application of the public interest standard of review under the Mobile-Sierra doctrine for a proposed change to this Agreement which is not agreed to by all Parties, the Parties must agree to language which varies from that set forth in Article 12(c) then, without further action of either Party, Article 12(c) will be deemed amended to incorporate the specific language required by such final rule or order as is necessary to have the public interest standard of review under the Mobile-Sierra doctrine apply to any proposed change to this Agreement to which all Parties do not agree.

(e) Nothing in this Article 12 is intended to modify any Party's right to enforce the terms of this Agreement as written.

ARTICLE 13. INTERPRETATION, DISPUTE RESOLUTION

Section 13.1 Governing Law

The Agreement shall be governed by and construed and performed in accordance with and the laws of the State of Rhode Island, without giving effect to its conflict of laws principles.

Section 13.2 Dispute Resolution

All disputes between the Buyer and Seller under this Agreement shall be referred, upon notice by one Party to the other Party, to a senior manager of Seller designated by Seller, and a senior manager of the Buyer designated by the Buyer, for resolution on an informal basis as promptly as practicable. In the event the designated senior managers are unable to resolve the dispute within ten (10) days of receipt of the notice, or such other period to which the Parties may jointly agree, such dispute shall be submitted to arbitration and resolved in accordance with the arbitration procedure set forth in this Section. The arbitration shall be conducted in Boston, Massachusetts before a single neutral arbitrator mutually agreed to and appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, Seller and the Buyer shall each choose one arbitrator, who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within ten (10) days select a third arbitrator to act as chairman of the arbitration panel. In either case, the arbitrator(s) shall be knowledgeable in electric utility matters, including wholesale power transactions and power market issues, and shall not have any current or past material business or financial relationships with either Party or a witness for either Party and shall not have a direct or indirect interest in any Party or the subject matter of the arbitration. The arbitrator(s) shall afford each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the then-current arbitration rules of the CPR Institute for Dispute Resolution (formerly known as the Center for Public Resources), unless otherwise mutually agreed by the Parties. There shall be no formal discovery conducted in connection with the arbitration unless otherwise mutually agreed by the Parties; provided, however, that the Parties shall exchange witness lists and copies of any exhibits that they intend to utilize in their direct presentations at any hearing before the arbitrator(s) at least ten (10) days prior to such hearing, along with any other information or documents specifically requested by the arbitrator(s) prior to the hearing. Any offer made and the details of any negotiations to resolve the dispute shall not be admissible in the arbitration or otherwise. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of his, her or their appointment and shall notify the Parties in writing of such decision and the reasons therefore, and shall make an award apportioning the payment of the costs and expenses of arbitration among the Parties; provided, however, that each Party shall bear the costs and expenses of its own attorneys, expert witnesses and consultants unless the arbitrator(s), based upon a determination of good cause, awards attorneys fees and legal and other costs to the prevailing Party. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change the Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction, subject expressly to Section 13.3. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act. Nothing in this paragraph shall impair the ability of a Party to exercise any rights or remedy it has under this Agreement, including those in Article 6. To the fullest extent permitted by law, any arbitration proceeding and the arbitrator's award shall be maintained in confidence by the Parties; provided, however, that either Party, or any of its Affiliates, may provide information regarding the arbitration without limitation to any regulatory agency requesting or requiring such information or to a court in a proceeding to confirm, appeal (as such appeal is limited hereby) or enforce the award; provided, further, that any such provision of information must include a request for confidential treatment

Section 13.3 Venue; Waiver of Jury Trial

Each Party hereto irrevocably (i) submits to the exclusive jurisdiction of the federal and state courts located in the State of Rhode Island; (ii) waives any objection which it may have to the laying of venue of any proceedings brought in any such court; and (iii) waives any claim that such proceedings have been brought in an inconvenient forum. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.

ARTICLE 14. SEVERABILITY

Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change will not otherwise affect the remaining provisions and lawful obligations that arise under this Agreement. If any provision of this Agreement, or the application thereof to any Party or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (b) the remainder of this Agreement and the application of such provision or circumstances shall not be affected by such invalidity or unenforceability.

ARTICLE 15. MODIFICATIONS

No modification or amendment of this Agreement will be binding on any Party unless it is in writing and signed by both Parties.

ARTICLE 16. ENTIRE AGREEMENT

This Agreement, including the Appendices, the tariffs and agreements referred to herein or therein, embody the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. It is expressly acknowledged and agreed that there are no restrictions, promises, representations, warranties, covenants or undertakings contained in any material provided or otherwise made available by the Seller or the Buyer to each other. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated hereby.

ARTICLE 17. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE 18. INTERPRETATION; CONSTRUCTION

The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. For purposes of this Agreement, the term "including" shall mean "including, without limitation". The Parties acknowledge that, each Party and its counsel have reviewed and or revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement, and it is the result of joint discussion and negotiation.

ARTICLE 19. REPRESENTATIONS; WARRANTIES AND COVENANTS

Each Party represents to the other Party, upon execution and continuing throughout the term of this Agreement, as follows:

(a) It is duly organized in the form of business entity set forth in the first paragraph of this Agreement, validly existing and in good standing under the laws of its state of its organization and has all requisite power and authority to carry on its business as is now being conducted, including all regulatory authorizations as necessary for it to legally perform its obligations hereunder.

(b) It has full power and authority to execute and deliver this Agreement and to consummate and perform the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by it, and, assuming that this Agreement constitutes a valid and binding agreement of the other Party, constitutes its valid and binding agreement, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, or the terms of any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument to which it is bound, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

(d) No declaration, filing with, notice to, or authorization, permit, consent or approval of any governmental authority is required for the execution and delivery of this Agreement by it or the performance by it of its obligations hereunder, other than such declarations, filings, registrations, notices, authorizations, permits, consents or approvals which, if not obtained or made, will not, in the aggregate, have a Material Adverse Effect.

(e) Neither the execution and delivery of this Agreement by it will nor the performance by it of its obligations under this Agreement will or does (i) conflict with or result in any breach of any provision of its Governing Documents, (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which it or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound, except for such defaults (or rights of termination, cancellation or acceleration) as to

which requisite waivers or consents have been obtained or which, in the aggregate, would not have a Material Adverse Effect; or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to it, which violation would have a Material Adverse Effect.

(f) There are no claims, actions, proceedings or investigations pending or, to its knowledge, threatened against or relating to it before any governmental authority acting in an adjudicative capacity relating to the transactions contemplated hereby that could have a Material Adverse Effect. It is not subject to any outstanding judgment, rule, order, writ, injunction or decree of any court or governmental authority which, individually or in the aggregate, would create a Material Adverse Effect.

(g) There are no bankruptcy, insolvency, reorganization, receivership or other similar proceedings pending or being contemplated by it, or of its knowledge threatened against it.

(h) It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party hereto, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Agreement.

ARTICLE 20. CONSENTS AND APPROVALS

The Parties shall cooperate so that each Party may take such actions as necessary and required for the other Party to effectuate and comply with this Agreement including to (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, and (iii) use all commercially reasonable efforts to obtain all necessary consents, approvals and authorizations of all other entities, in the case of each of the foregoing clauses (i), (ii) and (iii), necessary or advisable to consummate the transactions contemplated by this Agreement. The Buyer shall have the right to review and approve in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing, press release or public announcement made in connection with the transactions contemplated hereby.

ARTICLE 21. SURVIVAL

As of the expiration of this Agreement in accordance with Article 3.1 or, if earlier, its termination, the Parties shall no longer be bound by the terms and provisions hereof, except (a) to the extent necessary to enforce the rights and obligations of the Parties arising under this Agreement before such expiration or termination and (b) the obligations of the Parties hereunder with respect to indemnification and defense of claims.

ARTICLE 22. CONFIDENTIALITY

Neither Seller nor the Buyer shall provide copies of [BIDDERS: Insert sections -] or disclose the contents or terms thereof, (the “Confidential Terms”) to any third party without the prior written consent of the other Party; provided, however, that either Party may provide a copy of the Confidential Terms, in whole or in part to (1) any regulatory agency requesting and/or requiring such Confidential Terms, provided that any such disclosure must include a request for confidential

treatment of the Confidential Terms, and (2) an Affiliate if related to the Party's performance of its obligations hereunder, provided that such Affiliate agrees to treat the Confidential Terms as confidential in accordance with this clause.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY

Name (print): _____
Title: _____

[COMPANY]

Name (print): _____
Title: _____

**APPENDIX A
FORM OF GUARANTY**

Guaranty

This Guaranty (this “Guaranty”), dated effective as of [_____], 2006 (the “Effective Date”), is made and entered into by [_____] , a [_____] corporation (“Guarantor”).

WITNESSETH:

WHEREAS, The Narragansett Electric Company (“the Buyer”) and [_____] , a corporation organized under the laws of the State of [_____] (“Seller”) and a [_____] of Guarantor, have entered into the Certificate Purchase Agreement dated as of [_____] , 2006 for the Delivery Term of [_____] (as such agreement may be amended and modified by the Buyer and Seller from time to time, the “Agreement”); and

WHEREAS, Guarantor will directly or indirectly benefit from the Agreement between Seller and the Buyer;

NOW THEREFORE, in consideration of the Buyer entering into the Agreement, Guarantor hereby covenants and agrees as follows:

- (1) GUARANTY. Subject to the provisions hereof, Guarantor hereby irrevocably and unconditionally guarantees the full and faithful timely performance and payment when due of the obligations of Seller that are now due or may hereafter become due and payable to the Buyer under the Agreement (the “Obligations”). This Guaranty shall constitute a guarantee of performance and payment and not of collection. The liability of Guarantor under this Guaranty shall be specifically limited to performance and payments expressly required to be made under the Agreement (even if such payments are or are deemed to be damages) as well as costs of collection and enforcement of this Guaranty (including attorney’s fees) to the extent reasonably and actually incurred by the Buyer (all of which such costs of collection and enforcement shall be subject to the limitation set forth in Section 1(a) above) but in no event shall Guarantor be subject hereunder to consequential, exemplary, equitable, loss of profits, punitive or tort damages, or, except to the extent specifically provided in the Agreement, any other damages.

- (2) DEMANDS AND NOTICE. Upon the occurrence and during the continuance of an Event of Default or termination, as may be defined in the Agreement, if Seller fails or refuses to perform or pay any Obligations and the Buyer elects to exercise its rights under this Guaranty, the Buyer shall make a demand upon Guarantor (hereinafter referred to as a “Demand”). A Demand shall be in writing and shall reasonably and briefly specify in what manner and what amount Seller has failed to perform or pay and an explanation of why such performance or payment is due, with a specific statement that the Buyer is calling upon Guarantor to perform and/or pay under this Guaranty. A Demand satisfying the foregoing requirements shall be required with respect to Obligations before Guarantor is required to perform or pay (free of any deductions or withholdings) such Obligations hereunder and shall be deemed sufficient notice to Guarantor that it must perform the Obligations within two (2) Business Days, or pay the Obligations within five (5) Business Days, after its receipt of the Demand. A single written Demand shall be effective as to any specific default during the continuance of

such default, until Seller or Guarantor has cured such default, and additional written demands concerning such default shall not be required until such default is cured. As used herein, the term "Business Day" shall mean a day on which commercial banks or financial institutions are open for business in the State of Rhode Island.

- (3) REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants that:
- (a) it is a corporation duly organized and validly existing and in good standing under the laws of the State of [] and has the corporate power and authority to execute, deliver and carry out the terms and provisions of the Guaranty;
 - (b) the execution, delivery and performance of this Guaranty and each transaction contemplated by this Guaranty, do not and will not (with or without the lapse of time, the giving of notice or both, contravene, conflict with or result in a breach of or default under any provision of its constitution or any writ, order, judgment, law, rule or regulation to which it is a party or is subject or by which it is bound; and
 - (c) no authorization, approval, consent or order of, or registration or filing with, any court or other governmental body having jurisdiction over Guarantor is required on the part of Guarantor for the execution and delivery of this Guaranty; and
 - (d) this Guaranty, when executed and delivered, will constitute a valid and legally binding agreement of Guarantor, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.
- (4) SETOFFS AND COUNTERCLAIMS. Without limiting Guarantor's own defenses and rights hereunder, Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which Seller or any other affiliate of Guarantor is or may be entitled to arising from or out of the Agreement or otherwise, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of Seller, the lack of power or authority of Seller to enter into, amend and/or perform the Agreement, or waiver or consent with respect to any provision thereof, or a claim as to the Agreement's validity regularity or enforceability, or any similar circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor generally.
- (5) AMENDMENT OF GUARANTY. No term or provision of this Guaranty shall be amended, modified, altered, waived or supplemented except in a writing signed by Guarantor and the Buyer.
- (6) WAIVER; TERMINATION. Except as required in Section 2 above, Guarantor hereby waives (a) notice of acceptance of this Guaranty; (b) presentment, demand and notice of dishonor concerning the liabilities of Guarantor; and (c) any right to require that any action or proceeding be brought against Seller or any other person, or to require that the Buyer exhaust its remedies against Seller or seek enforcement of any performance against Seller or any other person, or against any collateral pledged by Seller or any other person liable for payment or performance of the Obligations, prior to any action against Guarantor under the terms hereof. Buyer shall not be obligated to file any claim relating to the Obligations in the event that Seller becomes subject to a bankruptcy,

reorganization or similar proceeding, and the failure of the Buyer to so file shall not affect the Guarantor's obligations hereunder.

Except as to applicable statutes of limitation, no delay of the Buyer in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights or a release of Guarantor from any obligations hereunder.

Guarantor consents to the renewal, compromise, extension, acceleration or other changes including in the time of payment of and other changes in the terms of the Obligations, or any part thereof and amendments thereto, or any changes and modifications to the terms of the Agreement or waivers thereunder.

Guarantor shall not be discharged or released from its obligations hereunder by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Seller or by any defense which Seller may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding. Guarantor agrees that this Guaranty shall continue to be effective or shall be reinstated, as the case may be, if all or any part of any payment made hereunder is at any time avoided or rescinded or must otherwise be restored or repaid by the Buyer as a result of the bankruptcy of Seller, or otherwise, all as though such payments had not been made.

This Guaranty and the Guarantor's obligations hereunder shall remain in effect for the term of the Agreement.

NOTICE. Any Demand, notice, request, instruction, correspondence or other document to be given hereunder by any party to another (herein collectively called "Notice") shall be in writing and delivered personally or mailed by certified mail, postage prepaid and return receipt requested, or by telegram or facsimile, as follows:

To the Buyer:

Vice President-Energy Supply New
England
National Grid Inc.
55 Bearfoot Road
Northborough, MA 01532

Fax No.: (508) 421-7335
Phone No.: (518) 421-7350

To Guarantor:

Fax No.:
Phone No.:

Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. Notice given by facsimile shall be effective upon (i) actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours and (ii) confirmation of receipt by telephone. All Notices by telegram or facsimile shall be confirmed promptly after transmission in writing by certified mail or personal delivery. Any party may change any address to which Notice is to be given to it by giving notice in accordance with the requirements of this Section.

MISCELLANEOUS. This Guaranty shall in all respects be governed by, and construed in accordance with, the law of the State of Rhode Island, without regard to principles of conflicts of laws.

This Guaranty shall be binding upon Guarantor and its successors and permitted assigns and inure to the benefit of and be enforceable by the Buyer and its successors and permitted assigns. The Guarantor may not assign this Guaranty in part or in whole without the prior written consent of the Buyer. The Buyer may not assign its rights or benefits under this Guaranty in part or in whole except (i) with the prior written consent of the Guarantor, or (ii) pursuant to a permitted assignment of Agreement (“Assigned Agreement”), in which case the assignee will succeed to the rights of the Buyer hereunder arising after the date of such assignment. The Guarantor’s liability hereunder with respect to any and all such Assigned Agreement, together with any other liability of the Guarantor hereunder, will in all cases be subject to the Guarantor’s maximum aggregate liability set forth in Section 1(a) herein. Neither the Guarantor nor the Buyer will unreasonably withhold or delay consent to assignment.

This Guaranty embodies the entire agreement and understanding between Guarantor and the Buyer and supersedes all prior agreements and understandings relating to the subject matter hereof. The headings in this Guaranty are for purposes of reference only, and shall not affect the meaning hereof.

Time is of the essence of this Guaranty. The remedies provided to the Buyer in this Guaranty are cumulative and not exclusive of any other remedies provided by law.

Words importing the singular number hereunder shall include the plural number and vice versa and any pronouns used herein shall be deemed to cover all genders. The term "person" as used herein means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated association, or government (or any agency or political subdivision thereof).

Wherever possible, any provision in this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any one jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**IN WITNESS WHEREOF, the Guarantor has executed this Guaranty on _____,
2006, but it is effective as of the Effective Date.**

[GUARANTOR]

BY:

NAME:

TITLE:

APPENDIX B

REQUIRED PARTICIPATING PURCHASER/RESPONDENT INFORMATION

1. General Information

Name of Respondent	
Principal contact person < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Secondary contact person (if any) < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Legal form of business organization of Respondent (e.g., sole proprietorship, partnership, limited partnership, joint venture, or corporation)	
State(s) of incorporation, residency and organization Indicate whether Respondent is in good standing in all states in which Respondent is authorized to do business and, if not, which states and the reason it is not.	
If Respondent is a partnership, the names of all general and limited partners. If Respondent is a limited liability company, the names of all direct owners.	
Description of Respondent and all affiliated entities and joint ventures transacting business in the energy sector	

2. Financial Information

Current debt rating for Respondent (include ratings and names of rating agencies).	
Date Respondent's last fiscal year ended.	
Total revenue for Respondent for the most recent fiscal year.	
Total net income for Respondent for the most recent fiscal year.	
Total assets for Respondent as of the close of the previous fiscal year.	
Copy of the Respondent's most recent balance sheet, income statement and cash flow statement.	
Copy of the Respondent's most recent audited balance sheet, income statement and cash flow statement.	

3. Defaults and Adverse Situations

Has Respondent, or any affiliate of Respondent, in the last five years, (a) consented to the appointment of, or was taken in possession by, a receiver, trustee, custodian or liquidator of a substantial part of its assets, (b) filed a bankruptcy petition in any bankruptcy court proceeding, (c) answered, consented or sought relief under any bankruptcy or similar law or failed to obtain a dismissal of an involuntary petition, (d) admitted in writing of its inability to pay its debts when due, (e) made a general assignment for the benefit of creditors, (f) was the subject of an involuntary proceeding seeking to adjudicate that Party bankrupt or insolvent, (g) sought reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors.	
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RESPONDENT: _____

4. CONFLICTS OF INTEREST

Briefly describe any known conflicts of interest between bidder or an affiliate of bidder and Buyer, National Grid USA or any affiliates of the foregoing.	
Enumerate any litigation, claims or complaints asserted by bidder or an affiliate of bidder, against Buyer, National Grid or an affiliate of any of the foregoing.	
Enumerate any litigation, claims or complaints asserted against bidder or an affiliate of bidder by Buyer, National Grid or an affiliate of any of the foregoing.	

5. SCOPE OF BID AND TERMS OF SALE

Will Respondent execute a contract substantially similar to the proposed Certificate Purchase Agreement contained in Appendix A? Explain any proposed modifications.	
List all regulatory approvals required before service can commence.	

6. PROPOSED TRANSACTION

APPENDIX C

PARTICIPATING PURCHASER NON-DISCLOSURE AGREEMENT

NON-DISCLOSURE AGREEMENT

AGREEMENT dated as of _____, 2006 (“Execution Date”), between **[Insert NAME]**., with offices at **[Insert business address]**, (the "Recipient") and **The Narragansett Electric Company, d/b/a “National Grid”** (the “**Company**”) with offices at 25 Research Drive, Westborough, MA 01582, each, individually, a "Party" and, collectively, the "Parties".

WHEREAS, The Company issued a Request for Proposal (“RFP”) dated XXXXX seeking bids from various third party suppliers (“RFP Respondents”) to supply NEPOOL-GIS Certificates to enable the Company to meet its renewal energy procurement requirements under the Rhode Island Renewable Energy Standard Regulations; and

WHEREAS, the Recipient desires the Company to disclose certain confidential and proprietary Information (as such term is defined below) in connection with bids submitted by RFP Respondents that were ultimately rejected by the Company and such disclosure would allow Recipient to review and evaluate the Company’s rejected bids (“Purpose”); and

WHEREAS, the Company is willing to disclose Information to the Recipient subject to the terms and conditions of this Agreement;

NOW, THEREFORE, the Parties mutually agree as follows:

1. The term "Information" means
 - (a) all business financial, technical and other non-public or proprietary information which is furnished or disclosed by RFP Respondents or its affiliates (or its or its affiliates' agents, servants, contractors, or employees) to the Company or its Representatives (as such term is defined below) whose bids are rejected by the Company in connection with the Purpose and which, if in tangible form, is marked with the words “Confidential” or “Proprietary” or markings of similar import, or, if disclosed orally, is identified as confidential at the time of disclosure; and; and
 - (b) all information discovered or derived, directly or indirectly, from Company’s or its Representative’s in connection with the RFP; and
 - (c) memoranda, notes, reports, files, copies, extracts, inventions, discoveries, improvements or any other thing prepared or derived from the information described in 1(a) or 1(b), above

2. Recipient shall receive all Information in strict confidence, shall maintain the confidentiality and secrecy of the Information, and shall not divulge Information to any third

party without the prior written consent of the Company. The Recipient may disclose Information to its officers, directors, employees, and counsel ("Representatives") to the extent each such Representative has a need to know such Information for the Purpose contemplated by this Agreement and provided that each such Representative agrees to maintain the confidentiality of such Information and to be bound to observe all other obligations of the Recipient under this Agreement for the benefit of the Company and its affiliates. The Recipient's liability hereunder shall include, without limitation, liability for any breach of the terms of this Agreement to the extent caused by its Representative(s).

Recipient shall not acquire any rights in Information by virtue of its disclosure hereunder. No license to Recipient, under any trademark, patent, or other intellectual property right, is either granted or implied by the conveying of Information to the Recipient. None of the Information which may be disclosed to Recipient shall constitute any representation, warranty, assurance, guaranty or inducement by the Company to the Recipient of any kind. The Company (including its affiliates) shall not have any liability or responsibility for errors or omissions in, or any business decisions made by Recipient in reliance on, any Information disclosed under this Agreement.

3. This Agreement shall not apply to Information that (i) was in the public domain at the time of disclosure to the Recipient, or (ii) enters the public domain after the date of such disclosure but without any action or omission by Recipient or its Representatives in breach of the terms of this Agreement. Anything in this Agreement to the contrary notwithstanding, Recipient may disclose Information to the extent required to do so by law, by a court or by other governmental or regulatory authorities; provided, however, that Recipient may disclose only that portion of the Information legally required to be disclosed in the opinion of its counsel and, provided, further, that Recipient gives the Company written notice of any such required disclosure prior to such disclosure being made so that the Company may seek a protective order with respect to such Information.

4. Recipient and its Representatives shall use Information solely in connection with the Purpose and shall not use, directly or indirectly, any Information for any other purpose without the Company's prior written consent.

5. Recipient shall return and deliver, or cause to be returned and delivered, to the Company all tangible Information, including copies and abstracts thereof, within 30 days of a written request by the Company.

6. Nothing contained herein shall require or commit a Party to undertake or proceed with a transaction of or with the other Party; such a transaction, if any, shall be the subject of a separate written agreement between the Parties.

7. This Agreement shall have a term of five (5) years commencing on the Effective Date ("Term"). Either Party may terminate this Agreement early by written notice to the other Party; notwithstanding any such termination, all rights and obligations hereunder with respect to confidentiality and restrictions on use of Information disclosed prior to such termination shall survive for the remainder of the Term.

8. The Parties acknowledge that a breach of this Agreement would cause irreparable harm to the Company and/or its affiliates for which money damages would be inadequate and would entitle the Company to injunctive relief and to such other remedies as may be provided by law.

9. This Agreement shall be governed and construed in accordance with the laws of the State of Rhode Island, without regard to the principles of the conflict of laws contained therein. Both Parties hereby submit to the personal and subject matter jurisdiction of the courts of the State of Rhode Island for the purpose of interpretation and enforcement of this Agreement.

10. This Agreement may be modified only by an instrument in writing signed by authorized representatives of both Parties to this Agreement.

11. This Agreement may not be assigned without the express written consent of both Parties hereto; provided, however, that the Company may assign this Agreement to an affiliate of the Company without the consent of the Recipient.

12. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision hereof shall be prohibited by, or determined to be invalid under, applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All obligations and rights of the Parties expressed herein shall be in addition to, and not in limitation of, those provided by applicable law.

13. This Agreement constitutes the entire agreement between Company and Recipient with respect to the subject matter hereof, and any and all previous representations with respect to such subject matter, either oral or written, are hereby annulled and superseded.

14. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been executed by authorized representatives of the Parties.

[_____]

By: _____

Name:

Title:

THE NARRAGANSETT ELECTRIC COMPANY

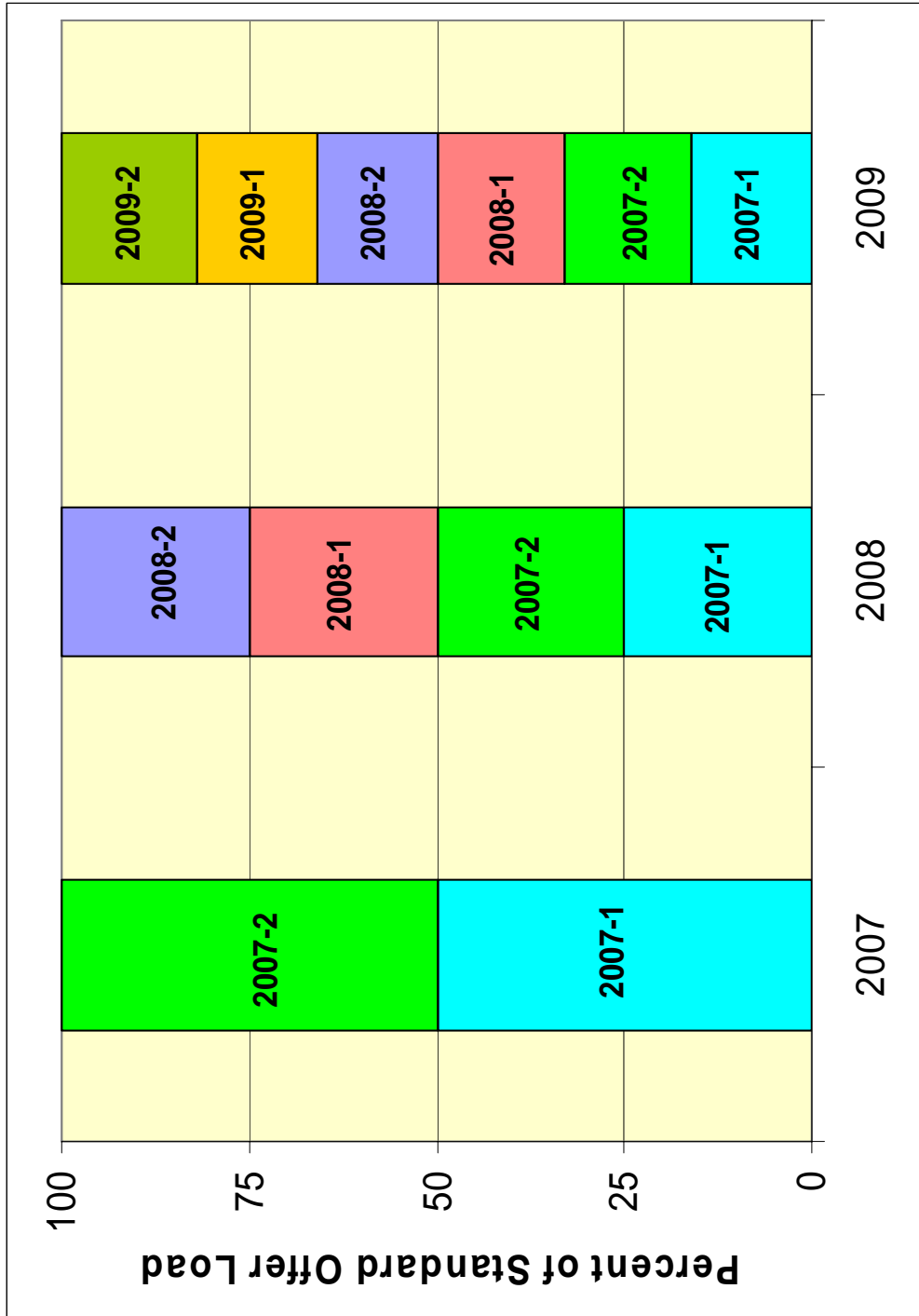
By: _____

Name:

Title:

ATTACHMENT MJH – 6

RFP PROCUREMENT SCHEDULE



**ATTACHMENT MJH – 7
DETAILED RFP PROCUREMENT SCHEDULE**

Procurement	Quantity
2007 - First Procurement	Up to 50% estimated 2007 Standard Offer RES obligation; plus Up to 25% estimated 2008 Standard Offer RES obligation; plus Up to 16% estimated 2009 Standard Offer RES obligation; plus Any estimated 2007 Last Resort Service RES obligation not procured in conjunction with Last Resort Service.
2007 – Second Procurement	Up to 100% of the then current estimated 2007 Standard Offer RES obligation less amounts already under contract; plus Up to 50% of the then current estimated 2008 Standard Offer RES obligation less amounts already under contract; plus Up to 33% of the then current estimated 2009 Standard Offer RES obligation less amounts already under contract; plus Any of the then current estimated 2007 Last Resort Service RES obligation not already under contract.
2008 – First Procurement	Up to 75% of the then current estimated 2008 Standard Offer RES obligation less amounts already under contract; plus Up to 50% of the then current estimated 2009 Standard Offer RES obligation less amounts already under contract; plus Any 2007 Last Resort Service RES obligations less amounts already under contract; plus Any of the then current estimated 2008 Last Resort Service RES obligation not procured in conjunction with Last Resort Service
2008 – Second Procurement	Up to 100% of the then current estimated 2008 Standard Offer RES obligation less amounts already under contract; plus Up to 66% of the then current estimated 2009 Standard Offer RES obligation less amounts already under contract; plus Any of the then current estimated 2008 Last Resort Service RES obligation not already under contract.
2009 – First Procurement	Up to 86% of the then current estimated 2009 Standard Offer RES obligation less amounts already under contract; plus Any 2008 Last Resort Service RES obligations less amounts already under contract; plus Any of the then current estimated 2009 Last Resort Service RES obligation not procured at time of procurement.
2009 – Second Procurement	Up to 100% of the then current estimated 2009 Standard Offer RES obligation less amounts already under contract; plus Any of the then current estimated 2009 Last Resort Service RES obligation not already under contract.

Note 1: 66% of the total 2007 RES obligation will be sought from existing renewable resources with the remainder coming from new renewable resources.

Note 2: 57% of the total 2008 RES obligation will be sought from existing renewable resources with the remainder coming from new renewable resources.

Note 3: 50% of the total 2009 RES obligation will be sought from existing renewable resources with the remainder coming from new renewable resources.

ATTACHMENT MJH – 8

CALCULATION OF LAST RESORT SERVICE RES OBLIGATION

	(a)	(b)	(c)	(d)
	Estimated LRS Load (MWhs)	Total RES Obligation (RECs)	New Renewable Resource RES Obligation (RECs)	Existing Renewable Resource RES Obligation (RECs)
January-2007	20,487	615	205	410
February-2007	20,612	619	206	413
March-2007	20,736	623	208	415
April-2007	20,861	626	209	417
Total	82,696	2,483	828	1,655

Notes

- (a) Last Resort Service load based on historic trend data for the period September 2003 through October 2006.
- (b) 2007 RES Obligation - 3% of LRS Load
- (c) 2007 New Renewable Resource obligation - 1% of LRS Load
- (d) 2007 Existing Renewable Resource obligation - 2% of LRS load

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been mailed or hand-delivered to the parties listed below.



Joanne M. Scanlon

November 3, 2006

Date

**National Grid – Docket No. 3765
Renewable Energy Standard Charge Filing
Service list as of 9/20/06**

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