

November 15, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: 2008 Renewable Energy Procurement Plan
Testimony & Attachments of Michael J. Hager
Docket No. 3901**

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, enclosed please find ten (10) copies of National Grid's¹ 2008 Renewable Energy Procurement Plan filing in the above-captioned proceeding. The 2008 Renewable Energy Procurement Plan consists of the pre-filed testimony and attachments of Michael J. Hager.

Thank you for your attention to this transmittal. 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
RES Working Group members (electronically)
Paul Roberti, Esq.
Steve Scialabba, Division

¹ Filed on behalf of The Narragansett Electric Company, d/b/a National Grid

Certificate of Service

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



Joanne M. Scanlon

November 15, 2007
Date

National Grid – Docket No. 3765
Renewable Energy Standard Charge Filing
Renewable Energy Standard Procurement Plan
Service list updated on 8/8/07

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National Grid

**2008 RENEWABLE ENERGY
PROCUREMENT PLAN**

**Consisting of the
Direct Testimony and Attachments of
Michael J. Hager**

November 15, 2007

**Submitted to:
Rhode Island Public Utilities Commission
RIPUC Docket No. 3901**

nationalgrid

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 Director, Regulated Electric Load & Distributed Generation for National Grid
7 USA Service Company. I am responsible for, among other things, all power procurement
8 and related activities for the New England distribution companies of National Grid USA
9 (formerly the New England Electric System) including The Narragansett Electric
10 Company d/b/a National Grid (“National Grid”). These activities include the
11 procurement of power for Standard Offer Service and Last Resort Service as well as the
12 procurement of renewable 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.

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 Q. What is your professional background?

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

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

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

17
18 In April 2002, I was promoted to the position of Director, Energy Supply – New
19 England. In December 2002, I was promoted to the position of Vice President, Energy
20 Supply – New England. As part of the Keyspan merger, my position was changed in
21 2007 to Director, Regulated Electric Load & Distributed Generation.

1 Q. Have you previously testified before the Rhode Island Public Utilities Commission
2 (“Commission”)?

3 A. Yes.

4

5 **II. Purpose of Testimony**

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to present National Grid’s Renewable Energy Standard
8 (“RES”) Procurement Plan in accordance with Section 8.2 of the Commission’s Rules
9 and Regulations Governing the Implementation of a Renewable Energy Standard (“RES
10 Regulations”) and Order No. 19108. The following topics will be covered in my
11 testimony:

- 12 • Results of National Grid’s RES procurements during 2007
- 13 • Proposed Renewable Energy Standard Charge for 2008
- 14 • Status Report of the RES procurement working group
- 15 • National Grid’s estimated RES Obligation for 2008 and 2009
- 16 • National Grid’s Proposed Procurement Schedule for 2008
- 17 • Evaluation Criteria
- 18 • Risks and Mitigation
- 19 • Resource Monitoring, Performance and Review of Procurement Process

20

1 **III. Background**

2 Q. Why does National Grid need to submit a Renewable Energy Procurement Plan?

3 A. On June 29, 2004, the Rhode Island legislature enacted into law a Renewable Energy
4 Standard (R.I. Gen. Laws § 39-26-1 et seq.). On December 8, 2005, the Commission
5 issued final regulations implementing the RES effective January 1, 2006. Pursuant to the
6 RES law and Commission regulations, beginning on January 1, 2007, National Grid and
7 all other obligated entities (as specified in Definition 3.24 of the RES Regulations) are
8 required to obtain a percentage of their energy supply from a mix of new and existing
9 renewable energy resources. Section 8.2 of the RES Regulations requires National Grid,
10 and all obligated electric utility distribution companies, to annually submit a Renewable
11 Energy Procurement Plan to the Commission that demonstrates its procedures for
12 obtaining resources that satisfy National Grid's RES obligations.

13

14 Q. Did National Grid submit a Renewable Energy Procurement Plan for 2007?

15 A. Yes. On November 3, 2006, National Grid filed its first Renewable Energy Procurement
16 Plan with the Commission (the "2007 RES Plan") which provided for the procurement of
17 a portion of National Grid's 2007, 2008 and 2009 RES obligations through a series of
18 competitive procurements which are graphically depicted in Attachment MJH-1. The
19 2007 RES Plan was approved by the Commission at its March 21, 2007 Open Meeting
20 and in written Order No. 19108 (the "2007 RES Order"). In the 2007 RES Order, the
21 Commission required National Grid to file a 2008 Renewable Energy Procurement Plan
22 ("2008 RES Plan") and updated Renewable Energy Standard Charge no later than

1 November 15, 2007. This filing is intended to comply with these requirements.

2

3 **IV. National Grid's RES Procurements In 2007**

4 Q. What steps did National Grid take in 2007 to meet its RES obligations?

5 A. Consistent with the approved 2007 RES Plan, National Grid pursued meeting its RES
6 obligations as part of the Last Resort Service procurement process and through a series of
7 stand-alone competitive solicitations for NEPOOL-GIS renewable energy certificates
8 ("RECs"). National Grid included requests for RES obligations in the Last Resort
9 Service procurements conducted in February 2007 and August 2007. National Grid
10 issued two stand-alone solicitations for RECs on April 11, 2007 and October 15, 2007.

11

12 Q. Did National Grid purchase RES obligations with its Last Resort Service procurements?

13 A. No. Consistent with the approved 2007 RES Plan, National Grid requested bidders to
14 provide a price for meeting the RES obligations for Last Resort Service in both RFPs.
15 The price provided by the winning suppliers of Last Resort Service was higher than
16 National Grid's estimate of the market price of RECs to meet the RES obligation. As a
17 result, National Grid did not purchase RES obligations with its supply for Last Resort
18 Service.

19

1 Q. Did National Grid contract for the purchase of RECs in 2007?

2 A. Yes. National Grid purchased a total of 422,700 RECs having an aggregate expected
3 cost of \$8.5million as a result of the solicitations. The number of RECs from existing
4 resources versus new resources and by vintage year is as follows:

Year	NEPOOL GIS RECs From Existing Energy Resources	NEPOOL GIS RECs From New Energy Resources
2007	146,200	73,100
2008	71,400	53,500
2009	47,200	47,200

5

6 Q. Did National Grid purchase enough 2007 RECs to meet its 2007 RES obligations?

7 A. No. The bids received for 2007 RECs in the October 15, 2007 solicitation were less than
8 the quantity requested. As a result, National Grid will likely be required to include
9 requests for 2007 RECs in the 2008 procurements. In addition, National Grid purchased
10 2007 RECs based on a combination of actual and forecast 2007 Standard Offer and Last
11 Resort Service obligations. Since a portion of the purchase was based on a forecast of
12 the 2007 loads and unit contingent purchases of RECs, National Grid will have to true-up
13 its purchases of 2007 RECs to its final 2007 RES obligation. This true-up will require
14 National Grid to either purchase additional 2007 RECs in a subsequent solicitation, make
15 an Alternative Compliance Payment (“ACP”) or perhaps even bank any excess 2007
16 RECs to be used to meet its 2008 RES obligations. If National Grid is unable to procure
17 any additional 2007 RECs, we expect that we will be making an ACP for any shortfall.

18

19

1 **V. Proposed Renewable Energy Standard Charge In 2008**

2 Q. Is National Grid proposing to revise the Renewable Energy Standard Charge (“RES
3 Charge”)?

4 A. Yes. National Grid is proposing to change the RES Charge effective January 1, 2008.
5 The previous RES Charge was based on a 3% RES obligation for 2007. In 2008, the
6 RES obligation increases to 3.5% of National Grid’s Rhode Island load. As a result, the
7 RES Charge must be changed to reflect the increased obligation. In addition, the 2007
8 RES Charge was based on an estimate of market prices for 2007 RECs. The 2008 RES
9 Charge is based on the average cost of 2008 RECs procured to date.

10

11 Q. What is the RES Charge National Grid proposes for 2008?

12 A. National Grid is proposing an RES Charge of 0.084¢/kWh effective January 1, 2008 for
13 both its Standard Offer Service and Last Resort Service customers. This compares to the
14 RES Charge of 0.062 ¢/kWh that was in effect for calendar year 2007.

15

16 Q. How did National Grid calculate the RES Charge?

17 A. The calculation of the RES Charge is provided in Attachment MJH-2. National Grid
18 used the weighted average cost of the new and existing vintage 2008 RECs procured in
19 the two RES solicitations conducted in 2007. At this time, National Grid has procured
20 50% of the RES obligation for 2008. Thus, National Grid will reconcile its costs to
21 comply with the RES with the revenue received from customers for the RES Charge for
22 2008. RES Charges associated with Standard Offer Service will be reconciled as part of

1 the annual Standard Offer Service reconciliation whereas RES Charges associated with
2 Last Resort Service will be reconciled as part of the annual Last Resort Service
3 reconciliation. If the actual costs to procure RECs are different from those used to
4 develop the RES Charge, any over- or under-collection will be refunded or charged to
5 customers as part of the year-end reconciliations.

6 **VI. Status Report of Long-Term Procurement Working Group**

7 Q. Was a working group formed to develop an approach for long-term procurement of
8 RECs?

9 A. Yes. In the 2007 RES Order, the Commission “directs the parties to collaborate to form a
10 working group to develop a proposed approach for acquiring RECs for the period
11 commencing after the end of the current SOS period”. On May 24, 2007 the first
12 meeting of interested parties to discuss approaches to long-term procurement of RECs
13 was hosted by National Grid. Since then, the working group has met four additional
14 times, most recently on November 2, 2007. Representatives of the following
15 organizations have participated in working group meetings:

Bluewater Wind
Cape Wind
Conservation Law Foundation (CLF)
Division of Public Utilities & Carriers
Environment Northeast
Environment Rhode Island
National Grid
Office of Attorney General
Office of Energy Resources (OER)
RI Economic Development Corporation
Ridgewood Power
Union of Concerned Scientists (UCS)
UPC Wind Management, LLC

1 Q. What was the outcome of the working group?

2 A. The working group explored possible options for long-term procurement. They included
3 a state agency model and circumstances where National Grid would be the contracting
4 party. However, the group was unable to reach consensus on an approach consistent
5 with existing regulations. It was recognized that, at a minimum, National Grid would
6 need to include long-term contracting in its procurement plan filed in early 2009 for the
7 period beginning in 2010. The working group did discuss other alternatives that would
8 involve long-term contracting directly by National Grid, and some significant progress
9 was made toward achieving a genuine consensus among the various stakeholders
10 participating in the working group. Since it is uncertain at this time whether the
11 emerging consensus would be best achieved through new legislation or through an
12 administrative process before the Commission, we are not seeking any specific
13 Commission action at this time. The working group is recommending that it stop
14 meeting for the time being. In the meantime, as long as National Grid is complying with
15 its existing approved plan, there is no need for Commission to take action on the issue of
16 long-term contracting at this time.

17

18 Q. When do you expect the working group to be able to present an approach for the long-
19 term procurement of RECs to the Commission?

20 A. A few members of the working group have agreed to take the lead and explore the best
21 avenue to proceed with the plan and to initiate efforts to move the plan forward. They

1 will report to the larger working group and the Commission as appropriate as events
2 unfolds.

3
4 **VII. National Grid's RES Obligation**

5 Q. Has National Grid determined its RES obligations for 2008 & 2009?

6 A. Yes. National Grid has developed a range of its estimated RES obligations for Standard
7 Offer Service and Last Resort Service for 2008 and 2009. Attachment MJH-3 is a
8 summary of this estimate.

9
10 Q. Is National Grid requesting to purchase its RES obligation for the period after the current
11 Standard Offer supply ends (2010 and beyond)?

12 A. No. National Grid will limit purchases to meet its RES obligations for 2007 through
13 2009, the current Standard Offer period. This is consistent with the terms of the 2007
14 RES Order and the RES Regulations.

15
16 Q. How did National Grid develop its estimated Standard Offer Service RES obligation for
17 2008 and 2009?

18 A. As shown in Attachments MJH-3 and MJH-4, since January 2000 the yearly change in
19 National Grid's Standard Offer Service requirements has ranged from an increase of
20 2.4% to a decrease of 5.8%. From November 2000 through September 2007, the
21 average trend in Standard Offer Service requirements has been calculated to be an
22 increase of approximately 0.25% per year. National Grid developed three cases that

1 would provide a reasonable range of RES obligations for the 2008 through 2009 period.
2 The Base Case assumes the Standard Offer requirement increases at the historical trends
3 for 2000-2007 for the 2008 through 2009 period. Case 1 assumes a 2.4% annual increase
4 (based on the largest annual increase since 2000) and Case 2 assumes a 5.8% annual
5 decrease (based on the largest annual decrease since 2000). Attachment MJH-4 is a
6 graph of both the monthly historic Standard Offer loads and the estimate of the Standard
7 Offer loads based on the three cases identified above. Using the annual RES Target
8 Percentages found in Section 4.2 of the RES Regulations, National Grid determined the
9 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)
2008	3.5%	249,821	251,046	230,943
2009	4.0%	286,229	293,795	248,626

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

1 Q. How did National Grid develop its estimated Last Resort Service RES obligations for
2 2008 and 2009?

3 A. As shown in Attachments MJH-3 and MJH-5, since 2000, the yearly and monthly
4 changes in National Grid's Last Resort Service requirements have been extremely
5 volatile. This volatility results from the ability of customers to switch back and forth
6 between competitive supply and Last Resort Service. Due to the extreme volatility of
7 Last Resort Service load, National Grid proposes to link its purchase of NEPOOL-GIS
8 Certificates with its purchase of Last Resort Service load requirements rather than
9 procuring a specified quantity of NEPOOL- GIS certificates. Linking the purchase of the
10 RES obligation with the actual Last Resort Service load requirement would enable
11 National Grid to purchase its actual RES obligations and reduce the probability of
12 National Grid buying too many or too few NEPOOL-GIS Certificates than the Last
13 Resort Service RES obligation it must satisfy.

14

15 **VIII. National Grid's Proposed Procurement Process and Schedule**

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

18 A. Consistent with the terms of the 2007 RES Plan which was approved the Commission in
19 the 2007 RES Order, National Grid proposes to obtain its RES obligations through a
20 series of stand-alone competitive solicitations for NEPOOL-GIS certificates conducted
21 twice per year and as part of the Last Resort Service procurement process, which is also
22 conducted twice per year.

1 During 2008, the stand-alone solicitations will be conducted approximately one month
2 after National Grid files new retail rates for Last Resort Service. The first procurement
3 will be issued in April 2008 and the second procurement will be issued in October 2008.
4 A draft RFP outlining the requirements, process and proposed Certificate Purchase
5 Agreement and Confidentiality Agreement is included in Attachment MJH-6. The draft
6 RFP outline is marked to show changes from the previous RFP, including changes to the
7 proposed Certificate Purchase Agreement. Such changes to the proposed Certificate
8 Purchase Agreement were implemented to improve the contracting process, and do not
9 shift any risks from suppliers to National Grid or its customers.

10
11 The quantity of RECs to be purchased in each solicitation will be in accordance with the
12 schedule in Attachment MJH-7. The process to be used in each of these solicitations will
13 be the same process presented in the 2007 RES Plan and approved by the Commission in
14 the 2007 RES Order, which is presented in Attachment MJH-8.

15
16 The Last Resort Service procurement will be performed in accordance with the schedule
17 established by the Commission in its Last Resort Service procurement docket. Last
18 Resort Service is typically procured via solicitations issued in February and August of
19 each year. The process to be used in each of these solicitations will be the same process
20 presented in the 2007 RES Plan and approved by the Commission in the 2007 RES Order
21 and which is presented in Attachment MJH-9.

1 **IX. Evaluation Criteria**

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

3 A. National Grid will base its selection of proposals using the criteria presented in the 2007
4 RES Plan and approved by the Commission in the 2007 RES Order, including:

- 5 • Lowest evaluated bid price;
- 6 • Quantity of NEPOOL-GIS Certificates offered;
- 7 • Ability of supplier to meet its obligation to deliver NEPOOL-GIS
8 Certificates;
- 9 • Firmness of delivery;
- 10 • The supplier's past experience in providing similar services to National
11 Grid;
- 12 • The supplier's past experience in providing similar services to other
13 companies in New England;
- 14 • The supplier's past experience in providing similar services to other
15 companies in other regions;
- 16 • The supplier's demonstrated understanding of its obligations under the
17 proposed Certificate Purchase Agreement;
- 18 • Whether there have been any past or are any present events that are
19 known that may adversely affect the supplier's ability to provide
20 NEPOOL-GIS Certificates; and
- 21 • Location of the renewable resource(s) and how the renewable resource
22 satisfies the goals of stabilizing long-term energy prices, enhancing
23 environmental quality, and creating renewable section jobs in Rhode
24 Island.

25
26 Of course, any proposals will require that the NEPOOL-GIS Certificates offered will
27 comply with the requirements in the RES Regulations. For a unit contingent offer, a
28 supplier will also be required to demonstrate the likelihood that NEPOOL-GIS
29 Certificates will be created from a resource. For a resource that is proposed or under
30 construction, a supplier will be required to demonstrate the likelihood that the resource
31 will create NEPOOL-GIS Certificates during the contract period.

1 **X. Risks and Mitigation**

2 Q. What are the major risk factors National Grid has identified in meeting its RES
3 obligations?

4 A. The risk factors and associated mitigation strategies identified in the 2007 RES Plan
5 apply to the 2008 RES Plan and are presented in Attachment MJH-10.

6
7 **XIII. Resource Monitoring, Performance and Review of Procurement Process**

8
9 Q. How will National Grid monitor the performance of its suppliers to ensure that suppliers
10 perform as agreed to in the executed contracts?

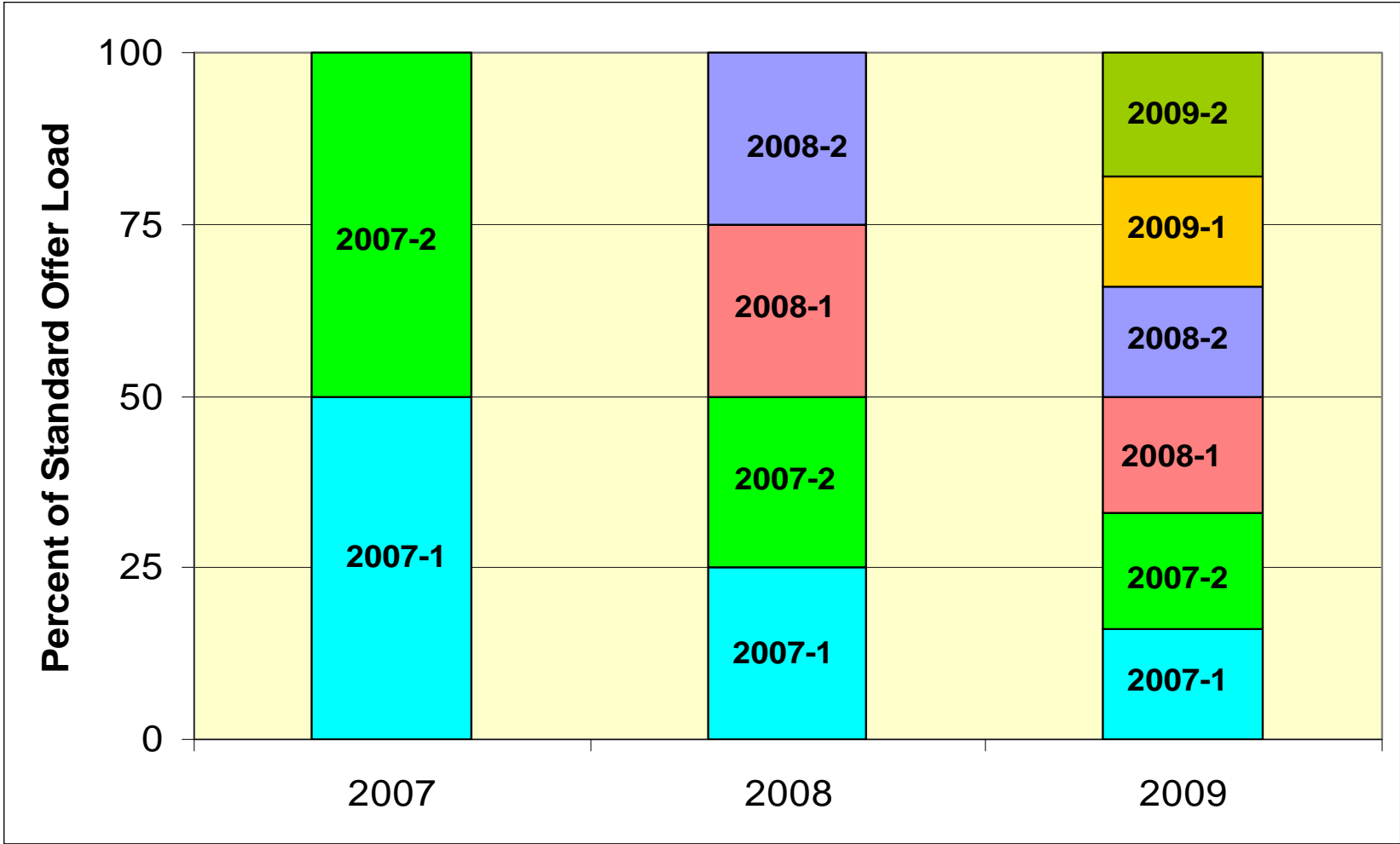
11 A. National Grid will utilize the same process presented in the 2007 RES Plan and approved
12 by the Commission in the 2007 RES Order, which is presented in Attachment MJH-11.

13
14 **XIV. Conclusion**

15 Q. Does this conclude your testimony?

16 A. Yes, it does.

ATTACHMENT MJH – 1
RFP PROCUREMENT SCHEDULE



ATTACHMENT MJH -2

RENEWABLE ENERGY STANDARD CHARGE

Section 1: Calculation of New Renewable Energy Resource Charge

(1) Average Compliance Year 2008 New Renewable Energy Resource REC Cost	\$50.97
(2) 2008 RES New Renewable Energy Resource Obligation	1.50%
(3) Incremental Cost - \$/MWh	\$0.76

Section 2: Calculation of Existing Renewable Energy Resource Charge

(4) Average Compliance Year 2008 Existing Renewable Energy Resource REC Cost	\$1.31
(5) 2008 RES Existing Renewable Energy Resource Obligation	2.00%
(6) Incremental Cost - \$/MWh	\$0.03

Section 3: Calculation of 2008 Renewable Energy Standard Charge

(7) Sum of New and Existing Incremental Costs - \$/MWh	\$0.79
(8) Renewable Portfolio Standard Adder to be included in Retail Rates - ¢/kWh	0.084

- (1) Average Cost of New Renewable Energy Resource RECs contracted for in NGRID RFPs.
- (2) Section 4.2 of the RES Regulations
- (3) Line (1) times Line (2)
- (4) Average Cost of Existing Renewable Energy Resource RECs contracted for in NGRID RFPs.
- (5) Section 4.2 of the RES Regulations
- (6) Line (4) times Line (5)
- (7) Line (3) plus Line (6)
- (8) Line (7) times 1.068 (average RI loss factor for 12 month period ending October 2007) divided by 10 to convert from \$/MWh to ¢/kWh, truncated to 3 decimal places.

ATTACHMENT MJH – 3

FORECAST OF NATIONAL GRID’S RHODE ISLAND RENEWBLE ENERGY STANDARD OBLIGATION

(a)	(b)	(c)			(d)			(e)	(f)	(g)	(h)
		Estimate of Annual Standard Offer Requirements (MWhs)			Estimate of Standard Offer RES Obligation (RECs)						
Year	Annual Standard Offer Obligation (MWhs)	Percent Change	Base Case (trended data)	Case 1 (2.4% annual increase)	Case 2 (5.8% 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	6,874,215	-5.8%									
2007(1)	7,004,629	1.9%	7,004,629								
2008			7,137,751	7,172,740	6,598,361	249,821	251,046	230,943			
2009			7,155,731	7,344,886	6,215,656	286,229	293,795	248,626			

(a)	(b)	(c)			(d)			(e)	(f)	(g)	(h)
		Estimate of Annual Last Resort Requirements (MWhs)			Estimate of Last Resort Service RES Obligation (RECs)						
Year	Annual Last Resort Obligation (MWhs)	Percent Change	Base Case (Flat)	Case 1 (Highest yearly load)	Case 2 (smallest yearly load)	LRS Base Case	LRS Case 1	LRS 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	222,225	2.9%									
2007(2)	196,019	-11.8%									
2008			196,019	560,466	49,929	6,861	19,616	1,748			
2009			196,019	560,466	49,929	7,841	22,419	1,997			

Note 1: 10 months of actual 2007 data plus two months of trended data

Note 2: 12 months of actual data ending October 31 ,2007

Note 3: 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 2007 actual load, increased 0.25% per year

For Last Resort - 2007 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 5.8%

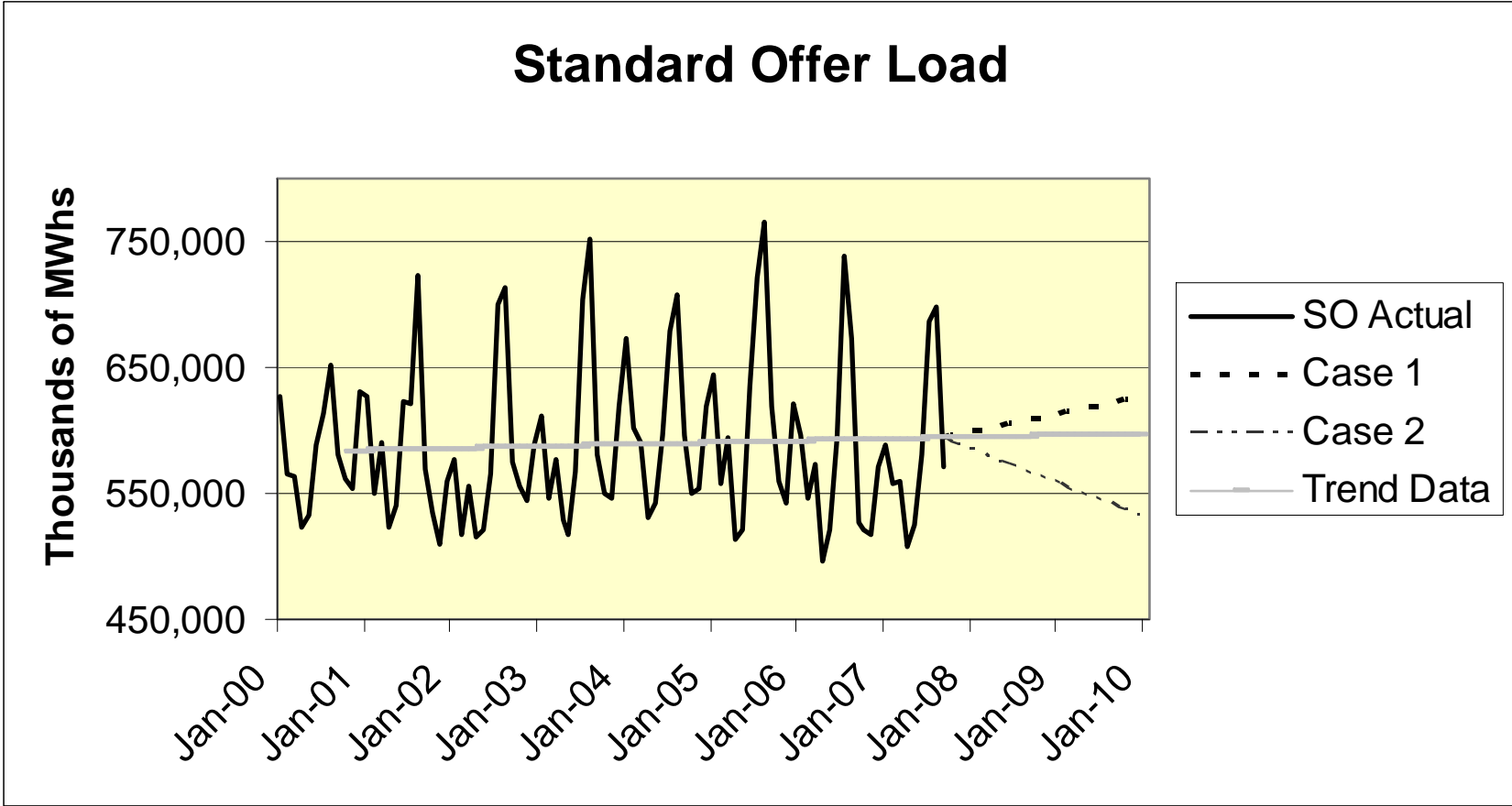
For Last Resort - lowest calendar year load

Column (f) - Column (c) times Annual RES Obligation

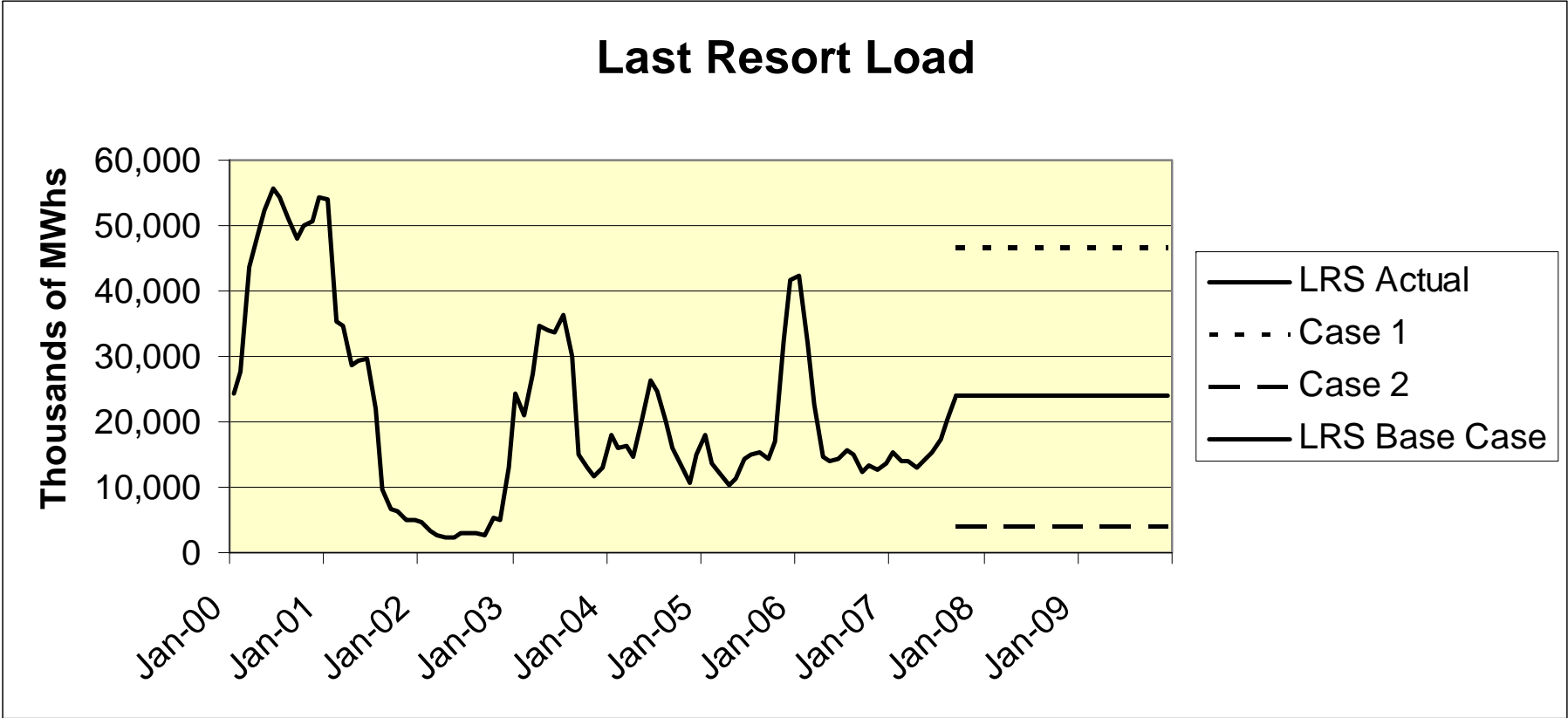
Column (g) - Column (d) times Annual RES Obligation

Column (h) - Column (e) times Annual RES Obligation

ATTACHMENT MJH – 4
FORECAST OF STANDARD OFFER LOAD



ATTACHMENT MJH – 5
FORECAST OF LAST RESORT SERVICE LOAD



ATTACHMENT MJH – 6

**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, 2008

national**grid**



REQUEST FOR PROPOSALS

1. Overview

On June 29, 2004 Rhode Island enacted a Renewable Energy Standard (“RES”) that promotes the development of renewable energy resources in Rhode Island and New England “with the goals of stabilizing long-term energy prices, enhancing environmental quality, and creating jobs in Rhode Island in the renewable energy sector”¹. 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.org/rulesregs/commrules/RESRules\(7-25-07\).pdf](http://www.ripuc.org/rulesregs/commrules/RESRules(7-25-07).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 in Rhode Island, New England and surrounding regions, 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.

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

² The contracting entity will be The Narragansett Electric Company.



National Grid will accept proposals based on the bids received and the best interests of its retail customers in Rhode Island, including any direct or indirect benefits resulting from renewable resources located in or around Rhode Island. National Grid reserves the right to determine the 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 ³	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 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.
- Unit contingent or fixed quantities of RECs

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

³ Consistent with Commission Order 19108 approving National Grid's 2007 Renewable Energy Procurement Plan, National Grid will not be purchasing RECs beyond 2009 but will share the proposals with Participating Purchasers interested in purchasing RECs in 2010 and beyond.



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 Wholesale Energy supplier Web page. 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. National Grid also distributes Period III bids to Participating Purchasers.	Day 30 (2 business days)
National Grid reviews Bids, selects Bids for Period I & II consistent with established criteria, shares Bid evaluation with Division and informs selected Respondents.	Day 35 (5 business days)
Execute contracts subject to a five day waiting period to allow the RIPUC to review the solicitation, results and executed contracts	Day 42 (5 business days)
Contract(s) become effective unless the RIPUC informs National Grid it is initiating an investigation.	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. In addition, Respondents are also requested to address how the renewable resource will meet the goals of stabilizing long-term energy prices, enhancing environmental quality, and creating renewable energy sector jobs in Rhode Island. 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 received⁴ 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 will also provide copies of proposals for Period II bids not selected by National Grid as well as all Period III proposals to Participating Purchasers who have executed a confidentiality agreement with National Grid.

⁴ Only after executing a confidentiality agreement with the various state agencies.



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.

3.7 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;
- 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; and
- Location of the renewable resource(s) and how the renewable resource satisfies the goals of stabilizing long-term energy prices, enhancing environmental quality, and creating renewable sector jobs in Rhode Island,

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~~ [October 15, 2007](#) 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, [or its successor](#).

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 [\(as such term is defined in the RES Regulations\)](#) of either New Renewable Energy Resources or Existing Renewable Energy ~~Resources~~ [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, or its successor.

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.

Vintage means the calendar year that a NEPOOL-GIS Certificate represents as the relevant generation attributes for an energy resource.

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

(a) No later than two ~~business days~~ Business Days from ~~execution of the date on which the Party signing last in time executes and delivers this~~ Agreement (“Execution Date”), Buyer will file the results of the RES solicitation with the RIPUC. This Agreement shall take effect (“Effective Date”) upon the close of business on the fifth ~~business day~~ Business Day following ~~the~~ such 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~~ prior to RIPUC Approval (as defined below). 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 a RIPUC Approval is obtained by the end of the Extended Waiting Period, the Effective Date shall be the date on which the RIPUC Approval is issued. If RIPUC Approval is not obtained by the end of the Extended Waiting Period, this Agreement shall terminate and have no legal force ~~and/or~~ effect.

(b) The term of this Agreement (“Term”) shall commence on the Effective Date and expire effective on the later of (i) the date on which all performances of the Parties under this

Agreement have been completed, including, but not limited to, the delivery of all NEPOOL GIS-Certificates and the payment of all amounts due as required by this Agreement, and (ii) the date that all disputes, if any, arising under this Agreement are resolved in a final manner. 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 with respect thereto.

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 the number of NEPOOL-GIS Certificates required to be transferred hereunder for each Trading Period 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 Representations and Warranties:

Seller represents, warrants, and agrees that:

- (a) The NEPOOL-GIS Certificates sold and delivered to the Buyer's account under this Agreement are and shall be free and clear of any liens, encumbrances and title defects;
- (b) Seller has obtained, and will maintain, all necessary regulatory approvals required to enable it to provide the NEPOOL-GIS Certificates as required by this Agreement and that the NEPOOL-GIS Certificates sold hereunder are and will be compliant with the RES Regulations; and
- (c) The NEPOOL-GIS Certificates sold hereunder ~~shall not~~ have ~~otherwise not~~ been, ~~nor will~~ and shall not 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 ~~each~~ 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~~ the Execution Date. 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) the NEPOOL-GIS Certificate Purchase Price ~~in that~~ for the applicable Vintage in such Trading Period. The total quantity of NEPOOL-GIS Certificates transferred and confirmed for each Vintage in a Trading Period shall not exceed, nor be less than, the NEPOOL-GIS Certificates Quantity ~~for the applicable Trading Period~~ required to be transferred to Buyer under this Agreement for such Vintage.

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 Interest Rate in effect on the Due Date.

(c) Each Party shall notify the other Party upon becoming aware of ~~any~~ 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 Interest 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 written 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~~such other written 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 written agreement between the Parties may be netted against each other, set off or recouped ~~there from, or otherwise adjusted~~therefrom.

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 to the extent attributable to Seller's' wrongful act or failure to act in breach of this Agreement); ~~and, but only if~~

(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 to the extent attributable to the Buyer's wrongful act or wrongful failure to act in breach of this Agreement); ~~and, but only if~~

(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 the amounts and/or at the times required by, and otherwise in accordance with, Article ~~4.4~~; ~~and~~

(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; and
- (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~~) Business Days after the date such Termination Notice is provided to the Defaulting Party in accordance with Article 7. Termination of this Agreement shall in no way limit or restrict any Party's right to pursue any legal or equitable remedies available to it arising from an Event of Default.

(b) Notwithstanding any other provision of this Agreement, the cure of 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~~ Agreement 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, then, on or before five (5) Business Days following issuance of a Termination Notice by Buyer, Seller shall pay the Buyer an amount equal to the positive amount, if any, equal to the product of (i) the ~~costs, fees and expenses of the Buyer making an Alternative Compliance Payment~~ equivalent for all remaining number of NEPOOL-GIS Certificates to be transferred ~~under this Agreement, less the~~ to Buyer under this Agreement during the Term that have not been so transferred (“Undelivered Certificates”), and (ii) the positive difference, if any, of the applicable ~~Alternative Compliance Payment rate or rates determined in accordance with the RES Regulations less the applicable~~ NEPOOL-GIS Certificate Purchase Price the Buyer would have had to pay Seller for ~~the same number of NEPOOL-GIS Certificates. each~~ Undelivered Certificate if the same had actually been delivered hereunder as and when required, plus all ~~costs, fees and expenses~~ incurred by Buyer in connection with making Alternative Compliance Payment(s) for the Undelivered Certificates. Seller and Buyer agree that the foregoing provision is intended to reflect a mutually acceptable measure of damages for such Event of Default.

(d) In the event the Buyer causes or suffers an Event of Default, and Seller elects to terminate this Agreement, then, on or before five (5) Business Days following issuance of the Termination Notice by Seller, the Buyer shall pay Seller the positive amount, if any, equal to the product of (i) the ~~remaining number of~~ NEPOOL-GIS Certificates required to be transferred by Seller under this Agreement during the Term that have not been so transferred (“Untransferred Certificates”) and (ii) the positive difference, if any, of the NEPOOL-GIS Certificate Purchase Price less the ~~aggregate average~~ market price as of the date of ~~termination for a quantity of NEPOOL-GIS Certificates of equal~~ issuance of such Termination Notice for the number of Untransferred Certificates of a vintage equivalent to the calendar year in which such Untransferred Certificates were to be delivered hereunder as specified in Article 4. ~~The aggregate~~ Such average 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. Seller and Buyer agree that the foregoing provision is intended to reflect a mutually acceptable measure of damages for such Event of Default.

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 it, or such

guarantor, 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~~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~~attributable 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~~the amount specified in Section 6.2(c) without giving effect to Section 5.5 (Netting and Setoff), and (z) that shall terminate no earlier than 120 days ~~from~~following the later of the termination or expiration of ~~the~~this 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 to Buyer 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 or no 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:~~
With a copy 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~~ 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

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, and (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 in a reasonable manner 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~~ Subject to Section 3(b), as of the expiration of this Agreement in accordance with Article ~~3-13~~ 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~~2007 (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 [_____]~~2007 (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~~constitutional or organizational documents 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, without limitation, 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 or made by Seller in connection with the Agreement 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~~ six (6) months following the expiration of] 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~~ 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~~ 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, 2007,~~ but it is effective as of the Effective Date.

[GUARANTOR]

BY:

NAME:

APPENDIX B

REQUIRED PARTICIPATING PURCHASER/RESPONDENT INFORMATION

RESPONDENT: _____**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	

RESPONDENT: _____**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.	
---	--

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

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

6. PROPOSED TRANSACTION

(include pricing, term, description of renewable resource, location of resource and how the resource will help satisfy the goals of stabilizing long-term energy prices, enhancing environmental quality, and creating renewable sector jobs in Rhode Island)

NON-DISCLOSURE AGREEMENT

AGREEMENT dated as of _____, 2008 (“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 TBD 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.

THE NARRAGANSETT ELECTRIC COMPANY

Name (print): _____

Title: _____

[COMPANY]

Name (print): _____

Title: _____

APPENDIX C

PARTICIPATING PURCHASER NON-DISCLOSURE AGREEMENT

ATTACHMENT MJH – 7

DETAILED RFP PROCUREMENT SCHEDULE

Procurement	Quantity
2007 – First Procurement	Purchased 50% estimated 2007 Standard Offer RES obligation; plus 25% estimated 2008 Standard Offer RES obligation; plus 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	Purchased 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 Standard Offer RES obligation that was not procured in the previous solicitations; 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: 57% of the total 2008 RES obligation will be sought from existing renewable resources with the remainder coming from new renewable resources.

Note 2: 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
STAND ALONE PROCUREMENT PROCESS

1 National Grid will meet its Standard Offer Service and remaining Last Resort Service RES
2 obligations through stand-alone solicitations conducted twice a year. Each solicitation will use
3 the following process:

- 4
- 5 • Issue a request for proposals to meet the RES obligations
- 6 • Receive statements of interest from Participating Purchasers
- 7 • Receive bids from renewable energy suppliers
- 8 • Provide copies of the Phase II and III bids to the Division, the EDC and OER (as
9 required under Section 8.5(i) of the RES Regulations)
- 10 • Evaluate the bids received and select proposed awards
- 11 • Share all the relevant bid information with the Division and identify all of the bids
12 that the Company proposes to select to the Division before executing any contracts
- 13 • Execute contracts with suppliers that meet the criteria established in the approved
14 RES Procurement Plan, to the extent the Division has no objection
- 15 • File the results of the procurement process, including copies of the contracts, with the
16 Commission and wait five business days before the contracts become effective
- 17 • Share bids with Participating Purchasers (in compliance with Section 8.5(iii) of the
18 RES Regulations)
- 19 • Arrange initial meetings with Participating Purchasers and the remaining bidders
20

21 National Grid will purchase firm and/or unit contingent NEPOOL-GIS Certificates that comply
22 with the RES Regulations. A draft Request for Proposals (“RFP”) outlining the requirements,
23 process and proposed Certificate Purchase Agreement and Confidentiality Agreement is included
24 in Attachment MJH-6. These are marked to show changes from the RFP and Confidentiality
25 Agreement used in the 2007 RES Plan.

26

27 Upon receiving bids, National Grid will first determine if the bids conform to the RFP and assess
28 a supplier’s ability to provide the proposed certificate. Next, National Grid will develop a bid
29 stack based on bid price (lowest to highest with firmness of supply having priority over bids with
30 equal or comparable price points). National Grid will consider purchasing all bids up to the
31 specified quantity to be procured for the applicable procurement, provided that the bid price is
32 less than the applicable ACP rate. After compiling the bid stack, National Grid will share the
33 information with the Division and identify the bids that the Company intends to accept, before
34 executing any contracts. This will essentially be a “sanity” check that allows the Division an
35 opportunity to determine if the Company’s proposed awards are consistent with the intent of the
36 procurement process and do not otherwise raise any issues.

37

38 Once the Division completes its review of the Company’s recommended awards and does not

1 object, the Company will execute the contracts, subject to the Company's filing the results of the
2 solicitation with the Commission and a five business day waiting period from the date of the
3 filing. This will give the Commission, if it so chooses, an opportunity to see the results before
4 the contracts become effective. The contracts will be written such that, if the Commission does
5 not take any action to notify the Company that there is an objection by the end of the close of
6 business on the fifth business day, the contracts become effective.

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

17
18 A copy of the proposed Certificate Purchase Agreement is provided in the draft Request for
19 Proposals in Attachment MJH-6.

20
21 As required in Section 8.5(i) of the RES Regulations, National Grid will provide copies of the
22 Period II & III bids to the EDC and OER for their review. Both the EDC and the OER may
23 collaborate with National Grid in developing complementary RES programs.

24
25 As required in Section 8.5(iii) of the RES Regulations, National Grid will request expressions of
26 interest from other parties interested in purchasing NEPOOL-GIS Certificates for Periods II and
27 III. Once an interested party executes a non-disclosure agreement with National Grid and
28 National Grid has completed its procurement process, National Grid will provide copies of the
29 Period II bids that it did not select and all Period III bids to the interested parties. .
30

ATTACHMENT MJH – 9

LAST RESORT SERVICE RELATED PROCUREMENT PROCESS

1
2 As part of the Last Resort Service supply procurement, National Grid will request bidders to
3 provide two price components with its bid. The first component will be for the provision of the
4 Last Resort Service requirement excluding the RES obligation. The second component will be
5 for the cost of the related RES obligation. For each bidder, National Grid will add the two
6 price components together and select the bid with the lowest overall cost. It is National Grid's
7 intent to use the competitive Last Resort Service solicitation process to procure the RES
8 obligation along with the Last Resort Service requirements at the least overall cost. However,
9 there may be times when National Grid believes it is not in the best interests of its customers to
10 purchase the RES obligation from a particular low cost supplier. For example, if the lowest
11 bid of the supply component is offering the RES component at the ACP, it may be in the
12 interest of customers to purchase only the supply component from the bidder, without the RES
13 component. In such cases the Company will consult with the Division and, if the Division
14 agrees, the Company would elect not to purchase the RES obligation. Any unmet Last Resort
15 Service RES obligation will be included in the next stand-alone RES procurement or an ACP
16 will be made prior to the required annual compliance filing.

17
18 To ensure that a supplier of Last Resort Service will provide the required NEPOOL-GIS
19 Certificates, National Grid will retain a portion of the invoiced amount equal to the number of
20 NEPOOL-GIS Certificates required to meet the RES obligation times the applicable ACP.
21 When the supplier delivers the required number of NEPOOL-GIS Certificates to National
22 Grid's NEPOOL-GIS account, National Grid will refund the amount retained to the supplier.
23 The following language is proposed to be included in the billing and payment section of any
24 power purchase agreement that includes a RES obligation:

- 25
26 (x) Plus the product of (a) the number of RI Renewable Energy Standard Certificates
27 delivered in the month, not to exceed the Aggregate RES Requirement and (b) the
28 applicable Alternative Compliance Payment Rate less,
29 (y) The product of (a) the RES Requirement and (b) the applicable Alternative
30 Compliance Payment Rate.

31
32 If the supplier fails to provide the required NEPOOL-GIS Certificates, National Grid would
33 seek to purchase NEPOOL-GIS Certificates in a future RES procurement or make an ACP
34 using the funds withheld. Thus, National Grid's Last Resort Service customers would not be
35 harmed by a Last Resort Service supplier's failure to deliver its RES obligation.
36

ATTACHMENT MJH – 10

RISKS AND MITIGATION MEASURES

Risk	Mitigation
Load either increases or decreases significantly from that expected.	<p>If National Grid’s load is significantly lower than what it based its NEPOOL-GIS Certificate purchases on and as a result it has excess NEPOOL-GIS Certificates, National Grid can utilize the certificate banking option as specified in Section 7.4 of the RES Regulations. Thus, any excess certificates for a compliance year would be carried forward and used to meet RES obligations in future compliance years. Under Section 7.4 of the RES Regulations, certificates can be banked or carried forward for two years. National Grid would then revise the number of certificates to be purchased in future procurements to account for both the reduction in the RES obligation and the number of NEPOOL-GIS Certificates it has banked.</p> <p>If National Grid’s load is significantly higher than projected, National Grid can; (i) revise the number of certificates to be purchased in future procurements to account for the increased RES obligation, (ii) conduct additional solicitations or (iii) make an Alternative Compliance Payment (“ACP”) as specified in Section 7.3 of the RES Regulations in order to demonstrate compliance with the RES Regulations.</p>
Supplier does not deliver the quantity of NEPOOL-GIS Certificates contracted for.	<p>National Grid will utilize all available contractual rights it has to compel the supplier to provide the contracted for NEPOOL-GIS Certificates. National Grid will also rely on contract security to offset any costs associated with a supplier’s failure to provide NEPOOL-GIS Certificates. Typically, National Grid requires security from unrated counterparties in an amount at least equal to the difference between the ACP and contract price times the number of certificates under contract. Under this plan, if National Grid is unable to obtain the certificates from the supplier it can seek to purchase replacement certificates or make an ACP and the cost to customers would net out to the cost under the contract. Typical forms of security include unsecured lines of credit with rated counterparties, parent guarantees, letters of credit and cash deposits.</p> <p>Customers would not be subject to the risk of National Grid paying for certificates that it did not receive. National Grid only pays suppliers once it receives certificates in its NEPOOL-GIS account or receives NEPOOL-GIS non-revocable Forward Certificate Transfers.</p>
Resource does not perform as expected thus providing fewer NEPOOL-GIS Certificates than expected.	<p>If a resource provides fewer NEPOOL-GIS Certificates than expected, National Grid can either include the shortfall in future procurements or make an ACP for the remaining RES obligation if additional NEPOOL-GIS Certificates are not available.</p>
Insufficient offers to meet annual RES obligation.	<p>If National Grid receives insufficient offers to meet its expected RES obligations, National Grid can either (i) include the shortfall in future procurements (ii) conduct additional solicitations, or (ii) make an ACP for the remaining obligation if additional NEPOOL-GIS Certificates are not available.</p>

ATTACHMENT MJH – 11

RESOURCE MONITORING, PERFORMANCE AND REVIEW

1
2
3 National Grid will require all suppliers of both firm and unit contingent purchases to provide
4 monthly production reports of actual resource performance to National Grid. Such a requirement
5 will be included in the proposed Certificate Purchase Agreement and is provided below:
6

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

16 For firm purchases that do not identify specific resources, prior to each NEPOOL-GIS Trading
17 Period, National Grid will review with the supplier how many NEPOOL-GIS Certificates the
18 supplier intends to provide in the upcoming NEPOOL-GIS Trading Period. If the supplier
19 expects it will not be able to deliver the expected number of NEPOOL-GIS Certificates, National
20 Grid will be able to utilize the security posted, as described later in my testimony, to purchase
21 replacement NEPOOL-GIS Certificates or make an ACP without incurring incremental costs for
22 its customers.
23

24 For those resources that are under construction or not yet operating, National Grid will require
25 suppliers to provide a quarterly Construction Progress Report to National Grid. Such a
26 requirement will be included in the proposed Certificate Purchase Agreement and is provided
27 below:
28

29 On or before the tenth (10th) day following the end of a calendar quarter during the Term, Seller
30 shall provide to Buyer a report stating (i) the expected online date of any Generating Unit under
31 construction, (ii) the estimated percent completion of such Generating Unit, (iii) an update on the
32 status of any permits or licenses required for operation of the Generating Unit, and (iv) any issues
33 that may cause a change in the expected online date. The first Construction Progress Report shall
34 be provided by Seller within ten (10) Business Days following execution of this Agreement.
35 Each Construction Progress Report shall be signed by an officer of Seller verifying that the
36 Construction Progress Report is true and accurate.
37

38 National Grid will require all suppliers to provide some form of security when entering into a
39 Certificate Purchase Agreement. Such security requirement will be based on the volume of
40 NEPOOL-GIS Certificates expected to be purchased times the difference between the purchase
41 price in the executed agreement and the applicable ACP. If a supplier fails to perform as
42 required in the executed agreement, National Grid would be able to utilize the posted security to

1 purchase replacement NEPOOL-GIS Certificates or make an ACP without incurring any
2 additional costs for its customers. Such security would be provided by a seller in the following
3 forms:

4

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

10

11 The terms of such security requirement are similar to the security requirement National Grid has
12 included in all of its commodity procurements for Last Resort Service. The security terms are
13 contained in Article 7 of the proposed Certificate Purchase Agreement which is included in
14 Attachment MJH-6.