

April 29, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02889

RE: Docket 4041 - Standard Offer Portfolio Procurement Plan

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's Revised Standard Offer Service ("SOS") procurement plan for 2010. This plan is submitted in compliance with the provisions of R.I.G.L. §39-1-27.8. and in compliance with order 19602 as clarified by Order 19610. The Company's Plan is designed to prudently procure a least cost and reliable energy supply to meet the requirements of standard offer customers. The supply procurement plan includes the acquisition procedure, the pricing options being sought, and a proposed term of service for which standard offer service will be acquired.

The Plan is designed to procure an uninterrupted commodity supply and provide transitional pricing for existing SOS and Last Resort Service ("LRS") customers, in a way that does not impede the development of the competitive supply markets. As such the plan will allow customers significant access to competitive markets without penalty or time restrictions. The plan will also provide a service for 2010 that can be easily implemented without complex rate design changes for customers. At the same time, the Plan will provide a transitional period that would provide the Company with the flexibility to design and implement a more managed portfolio for small customers.

The Plan contains the following significant features:

- Two Distinct Classes of Service:

1) Large Commercial & Industrial ("Large C&I"), consisting of customers receiving service on consisting of customers receiving service on General C&I Rate G-02, 200 kW Demand Rate G-32 and 3,000 kW Demand Rate G-62, Backup Service Rates B-32 and B62, and Electric Propulsion Rate X-01; and

2) Residential and small Commercial and Industrial ("Small Customer") consisting of customers receiving service on Basic Residential Rate A-16, Low Income Discount Rate A-60, Small C&I Rate C-06, Limited Private Lighting Rate S-10 and General Streetlighting Rate S-14.

- Return of Last Resort Customers to SOS Service:

Pursuant to the provisions of the proposed SOS tariff, beginning January 1, 2010, all customers will be eligible for SOS, including 1) new customers; 2) customers presently receiving SOS; 3) customers presently receiving Last Resort Service; and 4) customers previously taking service from a competitive supplier who, for any reason, have stopped receiving service from that supplier.

- Procurement Terms:

For Large C&I customers, the Company is proposing to procure supply through a single three month FRS contract, procured on a quarterly basis. For the Small Customer class, supply will be procured through a single FRS contract; the first procurement will be for nine months (January 2010 through September 2010) and all subsequent procurements will be performed on a six month basis. This procurement is designed to work in coordination with the Accelerated Procurement Plan.

- Procurement Schedule:

As described in the Plan in Section II.C, Plan Attachment 1, and in Mr. Smithling's testimony, the Company plans to issues RFPs for SOS every February, May, August and November. Subsequent rate changes will be effective on April 1, July 1, October 1 and January 1 for the Large C&I customers and on April 1 and October 1 for the Small Customers.

- Cost Recovery

Pursuant to Standard Offer Adjustment Provision, R.I.P.U.C. No. 2002, the Company intends to continue its current process of filing its annual reconciliation in November of each year for costs incurred during the prior October through September period. The Company proposes to include separate reconciliations for large C&I customers and residential and small C&I customers, similar to the way LRS is currently reconciled.

This filing includes the written Plan and as appendices to the Plan a plan schedule, a form request for proposal, and a form meter master power supply agreement. In support of the Plan, the Company is also submitting the pre-filed direct testimony of Alan P. Smithling and Jeanne A. Lloyd.

The Company has also enclosed a draft notice that will be published in the *The Providence Journal* to notify the public of the filing. The Company will publish this notice after receiving a docket number for this filing from the Commission.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Docket 4041 Service List
Paul Roberti, Esq.
Steve Scialabba, Division

**Docket No. 4041 National Grid – SOS and RES Procurement Plans
Service List Updated 4/27/09**

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National Grid

**REVISED STANDARD OFFER
SERVICE PROCUREMENT PLAN
FILING**

Consisting of the
Direct Testimony and Exhibits of
Alan P. Smithling and
Jeanne A. Lloyd

April 29, 2009

Submitted to:
Rhode Island Public Utilities Commission
R.I.P.U.C. Docket No. 4041

Submitted by:

The logo for National Grid, featuring the word "national" in a light blue sans-serif font and "grid" in a darker blue sans-serif font, with a small blue diamond shape above the letter 'i' in "grid".

(REVISED)

DIRECT TESTIMONY

OF

ALAN P. SMITHLING

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1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. My name is Alan P. Smithling, and my business address is 300 Erie Boulevard West,
4 Syracuse, New York 13202.

5
6 Q. Please state your position.

7 A. I am the Manager of Electric Supply for National Grid USA Service Company, Inc.
8 (“National Grid”). I manage the physical power procurement as well as the hedging
9 strategies and other energy supply related activities for National Grid’s operating
10 companies, including The Narragansett Electric Company d/b/a National Grid
11 (“Narragansett” or “Company”). For Narragansett, these activities include the
12 procurement of power for Standard Offer Service (“SOS”) and Last Resort Service
13 (“LRS”) as well as the procurement of renewable energy certificates (“RECs”).

14
15 Q. Will you describe your educational background?

16 A. I graduated from the State University of New York College of Environmental Science &
17 Forestry in 1980 with a Bachelor of Science in Forest Engineering. I received a Masters
18 in Geotechnical Engineering from Syracuse University in 1982.

19

20 Q. What is your professional background?

1 A. In December 1982, I joined Niagara Mohawk Power Corporation as a Junior Engineer in
2 the Transmission and Stations Engineering Department. In September 1988, I accepted a
3 position as a Supply Planner in the Energy Supply Department performing economic
4 analyses for our Fossil & Hydro generation portfolio. In this position I became an expert
5 user of the production costing model PROMOD. PROMOD is an hourly simulation of
6 the generation, transmission, zonal loads, and market prices, similar to the New York ISO
7 operation. I was in the Supply Planning area for thirteen (13) years, performing market
8 price forecasts, economic analyses, planning studies and electric rate design. In 2002, I
9 became the Risk Manager for the gas and electric wholesale commodity purchases for all
10 National Grid distribution companies. My responsibility was to identify and monitor
11 areas within National Grid that exposed the Company to changes in the market price of
12 electricity, natural gas or other commodities in accordance with the Corporate Risk
13 Management Policy. In February 2008, I accepted my current position of Manager
14 Electric Supply.

15

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

18 A. Yes

19

20 Q. Have you testified before any other state regulatory agencies?

1 A. Yes. I've testified before the New York Public Service Commission regarding supply
2 procurement activities.

3
4 **II. Purpose of Testimony**

5 Q. What is the purpose of your testimony?

6 A. The purpose of my testimony is to describe Narragansett's Supply Procurement Plan (the
7 "Plan") for procuring its SOS requirements beginning January 1, 2010. The Plan is
8 attached as Schedule APS-1.

9
10 Q. What is the basis for the Company's submitting its proposed Supply Procurement Plan
11 for Commission approval?

12 A. Rhode Island General Laws §§39-1-27.3 and 39-1-27.8 require the Company to arrange
13 for a power supply for customers who are not otherwise receiving electric service from a
14 non-regulated power supplier. Pursuant to §39-1-27.8, from 2009 through 2018, the
15 Company must file an annual supply procurement plan with the Commission that
16 includes the procurement procedure, the pricing options being sought, and a proposed
17 term of service for which SOS will be acquired. All such components of the procurement
18 plan are subject to review and approval by the Commission.

19
20 Q. When will Narragansett's current SOS contracts expire?

1 A. Narragansett has procured its SOS requirements through a number of long-term contracts
2 which will expire as of December 31, 2009. A new supply must be procured by
3 January 1, 2010.

4
5 Q. How much customer load was served in 2008 under SOS and Last Resort Service?

6 A. The SOS and Last Resort Service load in 2008 is summarized in the following table:

	Total Load (MWhs)	Power Purchase Costs
Standard Offer Service	6,869,226	\$ 696,869,215
Last Resort Service	258,466	\$ 27,867,438
Competitive Supplier	1,146,674	n/a
Rhode Island Total	8,274,366	\$ 724,736,653

7

8

9 **III. Proposed SOS Procurement Plan**

10 Q. Please summarize the proposed supply procurement plan for SOS.

11 A. The calendar year 2010 SOS supply will be physically procured through load following
12 full requirements service (“FRS”) contracts, which will be solicited through a Request for
13 Proposal (“RFP”) process.

14

15 The RFP will include requirements for contracts that will serve two distinct classes of
16 service: 1) Large Commercial & Industrial (“Large C&I”), consisting of customers
17 receiving service on General C&I Rate G-02, 200 kW Demand Rate G-32 and 3,000 kW
18 Demand Rate G-62 and Backup Service Rates B-32 and B62 and 2) Residential and

1 small Commercial and Industrial (“Small Customer”) consisting of customers receiving
2 service on Basic Residential Rate A-16, Low Income Discount Rate A-60, Small C&I
3 Rate C-06, Limited Private Lighting Rate S-10 and General Streetlighting Rate S-14.

4
5 National Grid is also proposing to begin the transition to a managed portfolio approach
6 and has filed the Accelerated Procurement Plan (“APP”) on April 9, 2009 with the
7 Commission. The APP filing explains the expedited process the Company is proposing
8 to use to reduce supply cost volatility for the Small Customer Group. This SOS Plan
9 takes into consideration the APP filing, which is a complementary hedging plan.

10
11 The Company has proposed a competitive procurement process for the long term
12 procurement of Renewable Energy Certificates (“RECs”) or alternatively, of capacity,
13 energy, and RECs, as an alternative for meeting its obligations under the Renewable
14 Energy Standard. This process, as well as the procurement of RECs through its primary
15 short term competitive procurement process, is fully explained in the Company’s
16 Renewable Energy Standard (“RES”) filing of April 29, 2009. That filing also describes
17 the integration of the RES plan with SOS procurement, should such long term contracts
18 be executed.

19
20 In addition, effective January 1, 2010, Last Resort Service (“LRS”) customers will be
21 transferred to SOS and LRS will no longer be available as a separately procured and

1 priced service. The availability provisions for SOS will be discussed in further detail in
2 the testimony of Ms. Lloyd.

3
4 In the LRS Acquisition Plan approved by the RIPUC in Docket No. 3605 by Order No.
5 19572 issued on February 13, 2009, the Commission, recognizing the possible filing of
6 an SOS plan that obviated the need for a separate LRS procurement, extended the final
7 LRS procurement period from six months to eight months, to coincide with the end of the
8 current SOS period. Consequently, the final LRS procurement period for both the C&I
9 and Residential group now covers the time period May 2009 through December 2009.

10
11 Q. How is the Company proposing to procure SOS supply for Large C&I customers?

12 A. For Large C&I customers, the Company is proposing to procure supply through a single
13 three month FRS contract, procured on a quarterly basis.

14
15 Q. How is the Company proposing to procure SOS supply for the Small Customer class?

16 A. SOS supply for the Small Customer class will be procured through a managed portfolio
17 approach utilizing FRS contracts, and fixed price financial contracts. Initially, a nine
18 month FRS Contract will be procured to physically supply the Small Customer group
19 load. Subsequent FRS contracts will be issued on a six month schedule. The contract
20 procurements will be coincident with the procurement for Large C&I supply contracts.

1 The settlement of the financial contracts executed on behalf of the Small Customers will
2 be used in the calculation of their retail rates.

3
4 Q. Why is the Company proposing to establish two distinct supply procurement classes?

5 A. In establishing the supply procurement classes, the Company first evaluated the existing
6 market options available to customers. Large C&I customers currently have access to
7 competitive supply alternatives. Approximately 13% of the Large C&I customer load in
8 Rhode Island is currently taking service from a competitive supplier. Similarly,
9 Massachusetts had only 24% of the industrial customers load with a competitive supplier
10 at the end of their Standard Offer Service (February 2005), as compared to approximately
11 80% today. Small Customers, on the other hand, have fewer competitive alternatives
12 available; presently, only about 5% of the Massachusetts Residential customer load is
13 currently receiving service from competitive suppliers and only 1% in Rhode Island.

14
15 Q. What were the Company's goals in developing the Plan?

16 A. The Company's goals in developing the Plan were to comply with the statutory
17 requirements for procuring SOS as follows:

- 18 1. to procure an uninterrupted commodity supply and provide transitional pricing for
19 existing SOS and LRS customers;
- 20 2. to provide a service that does not impede the development of the competitive
21 supply markets;

- 1 3. to provide a service for 2010 that could be easily implemented without complex
2 rate design changes for customers;
- 3 4. to provide Small Customers with price stability from month to month and in the
4 longer term; and
- 5 5. to provide a transitional period for the Company to fully design and implement a
6 more managed portfolio for the Small Customer group, intended to provide a
7 greater level of price stability.

8

9 Q. How will SOS be priced to Large C&I customers?

10 A. The Large C&I service will have a fixed price that varies monthly and is based on the
11 FRS supply contract prices. The relatively short three-month procurement and pricing
12 period will establish rates that are market based, but provide more stability than other
13 pricing options such as real-time or hourly pricing. This pricing structure will
14 communicate an appropriate price signal to customers who have competitive supply
15 options and allow customers to evaluate their needs and options prior to obtaining service
16 from a Competitive Supplier.

17

18 Q. How will SOS be priced to Small customers?

19 A. Initially, the Small Customer group rates will be fixed for a nine-month period and
20 thereafter will be set on six-month basis in order to provide price stability similar to the
21 previous SOS rates. The underlying supply costs supporting each six-month period will

1 gradually result in decreased price volatility as more financial hedges with longer terms
2 are laddered over time to create a portfolio of hedges. This methodology will reduce the
3 likelihood of large changes in rates between the six-month fixed prices periods.

4
5 The proposed Standard Offer tariff and pricing provisions are discussed further in Ms.
6 Lloyd's testimony.

7
8 Q. What are the expected loads for these two SOS groups?

9 A. The Schedule APS-2 shows the historical wholesale SOS Loads and the forecasted loads
10 for both customer groups. The forecasted load for the Large C&I customer class is 3.3
11 million MWhs, while the forecasted load for the Small Customer class is 3.9 million
12 MWhs.

13
14 Q. How does the Company's proposed procurement process differ from the process
15 approved by the Commission initially in Docket No. 3605 for LRS?

16 A. The Company's proposed SOS Plan for 2010 is similar to the process previously
17 approved by the Commission for procuring LRS. The RFP process and FRS contract
18 structure will be identical. The only substantive change is the addition of fixed price
19 financial contracts, with varying contractual lengths and quantity, to the supply portfolio
20 for Small Customers. This will assist the Company in the transition to a managed
21 portfolio approach. The Company is proposing to acquire one FRS supply contract for

1 100% of the Large C&I Customer load on a quarterly basis, instead of the six month
2 contracts presently procured for LRS. Similar to LRS, the Small Customer class will be
3 physically supplied with a single six-month FRS contract (totaling 100% of the load). In
4 addition, the settlement of the financial hedges performed on behalf of the Small
5 Customers will be used in calculating their retail rates.

6
7 Q. How does the Company's proposed procurement process differ from the process for
8 Massachusetts Basic Service?

9 A. The Company's proposed process is the same as the process used to procure power for
10 Massachusetts Electric Company's Large C&I customers. The Company's process for
11 the Rhode Island Small Customer class is similar but has some differences from the
12 process used to procure supply for Massachusetts Electric Company's Basic Service
13 customers. In Massachusetts, the Small Customer supply for a six-month period is based
14 upon a laddering of two FRS contracts. One contract for 50% of the load is acquired
15 eight months prior to the supply period, and the other contract for the remaining 50% of
16 the load is acquired two months prior to the supply period. The RFP contracts are signed
17 in March and September for the six month periods May through October and November
18 through April, respectively.

19

1 Q. If the procurement process is similar to Massachusetts Basic Service, will the
2 Massachusetts and Rhode Island RFPs be issued simultaneously and the FRS contracts be
3 acquired together?

4 A. No. The Company intends to issue separate RFPs and obtain separate contracts for
5 Rhode Island SOS and Massachusetts Basic Service.
6

7 **IV. Procurement Process and Schedule**

8 Q. Please explain the procedure that the Company will utilize to physically procure SOS.

9 A. Similar to its recent LRS solicitations, the Company will take the following steps:

- 10 1. Issue a Request for Proposal (“RFP”) to all interested wholesale power suppliers
11 approximately 75 days prior to the start of the new service period;
- 12 2. Require that all suppliers have signed a Master Power Agreement (“MPA”); if a new
13 supplier or a supplier without an MPA wishes to submit bids, it must also submit the
14 marked up MPA template with the indicative bids;
- 15 3. Receive initial responses to the RFP, which will include background information on
16 each Respondent and the indicative pricing for the FRS contracts;
- 17 4. Review the FRS contract indicative bids with the Rhode Island Division of Public
18 Utilities and Carriers (“Division”);
- 19 5. Receive final binding prices and evaluate final prices and security requirements
20 within the day;
- 21 6. Review final binding prices for the FRS Contracts with the Division;

- 1 7. Select a supplier(s) and execute a power supply confirm(s); and
- 2 8. File a summary of the procurement process including bids received, on a confidential
- 3 basis, with the Commission for its information. This will include a summary of the
- 4 basis for selecting any non-conforming bids.

5

6 Q. Please explain the procedure that the Company will utilize to procure fixed price

7 financial swap contracts.

8 A. National Grid will utilize ISO-New England Internal Hub forward electric futures as a

9 method to hedge the cost volatility associated with the energy component of electric

10 prices. Schedule APS-1, Attachment 1 shows the layering of financial swap contracts for

11 portions of the estimated Small Customer load over a period of time. Acquiring these

12 financial swaps will create an average market price for each specified time period. The

13 value of these hedges will be settled on the same day as the physical load following FRS

14 contracts is awarded. In effect, this transfers the locked-in hedge price of the financial

15 swap to the FRS Contracts, as if the FRS contracts had been acquired in a laddered

16 approach. In addition to the FRS contract prices, the value of the financial swaps would

17 be used in the calculation of the Small Customer retail rates. For an example of the

18 interaction of financial swap and FRS contract, see Schedule APS-4.

19

20 Q. Can you provide the Company's template for the MPA to be used by all suppliers?

1 A. The MPA template is provided in the Plan (Schedule APS-1, Attachment 3). The
2 Company may accept changes to the MPA template if such changes proposed by
3 suppliers do not shift risk to the Company's customers.
4

5 Q. What form of RFP will the Company use to obtain FRS Contracts?

6 A. A copy of the proposed RFP is provided in the Plan (Schedule APS-1, Attachment 2).
7 As shown in the sample RFP, the Company is proposing to reserve the right to make non-
8 substantive changes to the form and requirements of the RFP to address any issues that
9 may arise during the solicitation process. In addition, the Company reserves the right to
10 make non-substantive changes to the form and requirements of the RFP to address any
11 issues that may arise or to incorporate best practices learned between the date of the
12 Company's filing in this Docket and the date the RFP is issued; provided, however, that
13 the Company will inform the Commission and the Division in writing of such changes, if
14 any.
15

16 Q. What is the Company's proposed schedule for acquiring SOS FRS Contracts?

17 A. A schedule of proposed RFP award dates for the acquisition of SOS FRS Contracts for
18 2010 is provided in the Plan (Schedule APS-1, Attachment 1).
19

20 Q. What is the Company's proposed schedule for acquiring financial hedges for the Small
21 Customers?

1 A. The procurement of the financial swap for January 2010 through September 2010 for
2 95% of the estimated Small Customer load would be acquired within weeks of the
3 approval of the APP. In addition, 50% of the estimated load would also be procured at
4 that time in a financial swap for the period October 2010 through April 2011. A tentative
5 schedule to acquire additional financial swaps is included in Schedule APS-1,
6 Attachment 1. The schedule and financial swap structure would be flexible to be able to
7 adjust to changes market conditions and portfolio requirements. The Company proposes
8 to set up a matrix of minimum and maximum financial swaps and their timing to ensure
9 the acquisition of sufficient financial swaps through a specified time period as we
10 transition into the fully managed portfolio.

11

12 Q. What type of contracts will the Company use for the financial swap transactions?

13 A. The Company will be using industry standardized contracts from the International Swap
14 Derivatives Association (ISDA). The Confirmations will be deal specific; refer to the
15 APP Attachment 4 for the Confirmation for the proposed financial swap for the time
16 period January 2010 through September 2010.

17

18 Q. If the FRS procurement process is similar to all other New England utilities, will there be
19 a problem acquiring power or contracts with Suppliers?

1 A. No. The Company believes the proposed timing of Rhode Island SOS RFPs does not
2 coincide with other major utility RFPs. Refer to Schedule APS-3 for the overview of
3 other utility bid blocks obtained through RFPs.

4

5 **V. Evaluation Criteria**

6 Q. Why is the Company proposing to receive initial, indicative bids as well as final, binding
7 bids on the FRS Contracts?

8 A. FRS contract final bids are typically due at 10:00 am, but due to the volatility in
9 wholesale market prices, the final bids are only valid until 3:00 pm. The Company
10 requests initial, indicative bids at the time responses are received so that it can perform an
11 initial ranking of the bids and verify that bid pricing is in a form acceptable to the
12 Company. The Company then reviews the qualifications of each bidder and addresses
13 any outstanding commercial/contractual/security issues with bidders so that the Company
14 is prepared to promptly accept a final, binding price upon its receipt.

15

16 Q. How will the Company select the winning FRS supplier(s)?

17 A. The Company will select a winning supplier or suppliers from those bidders that have
18 demonstrated that they are able to provide the service during the delivery period, have
19 acceptable financial strength or have provide required financial security, and have
20 executed a Master Power Agreement. Of this pool of bidders, the winning supplier or
21 suppliers will be the bidder(s) that result in the lowest overall cost for SOS.

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Q. Will the Company select a different FRS supplier for the Residential service and the C&I service?

A. Supplier selection will depend entirely on bids received.

Q. Will the Division have the ability to provide input to the selection process?

A. Yes. During the bid evaluation process, the Company will provide the Division with a summary of the initial bids and of the final bids. The Division will have an opportunity to provide comments, concerns, and other input to the Company upon its review of the materials provided. The Company will be responsible for making the final decision as to which bid and contractual terms will be accepted.

Q. What information will be made available to the Commission?

A. After executing a power supply contract, the Company will make a confidential filing with the Commission, for informational purposes, providing a summary of the initial and final bids received as well as the final executed power supply contract. In addition, if applicable, the Company will also provide an explanation for any Company decision to accept deviations from the terms set forth in this Procurement Plan

Q. When will SOS retail price changes occur?

1 A. For Large C&I customers monthly prices will be established for each quarter and filed
2 along with the results of the RFP, with new rates effective each January 1, April 1, July
3 1, and October 1. For Small Customers, SOS rates will initially be effective for a nine
4 month period, January through September 2010. Thereafter, new rates will be
5 established as part of the February and August procurements and fixed for six months,
6 effective each April 1 and October 1. The Company will file the SOS rates with the
7 Commission at least 30 days prior to the effective dates.

8
9 **VI. Risk Management Activities**

10 Q. How will National Grid ensure the financial swap counterparties and its FRS suppliers
11 perform as agreed to in the executed contracts?

12 A. National Grid will require all suppliers to provide some form of security when entering
13 into a Confirmation. The security requirement for FRS contracts will be based on the
14 expected volume of load for the bid block and a mark-to-market margining clause. As
15 forward market prices change, the supplier will be required to post security for those
16 incremental changes. If a supplier fails to perform as required in the executed agreement,
17 National Grid would be able to utilize the posted security to purchase replacement power
18 (FRS contract) without incurring any additional costs for its customers. Such security
19 would be provided by a seller in the following forms:

- 20 • Unsecured line of credit for a rated counterparty
- 21 • Parental Guaranty
- 22 • Letter of Credit

- 1 • Cash deposit with National Grid
2 • Other form of security mutually agreed to by National Grid and seller
3

4 The terms of such security requirement are similar to the security requirement National
5 Grid has included in all of its commodity procurements for Last Resort Service. The
6 security terms are contained in Article 7 of the Master Purchase Agreement. Financial
7 swap contracts will also have similar credit requirements and mark-to-market margining
8 clauses.

9

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

11 A. As part of the required filing of the annual SOS Procurement Plan, National Grid will
12 propose changes to the Procurement Plan resulting from lessons learned during the prior
13 compliance year.

14

15 **VII. Conclusion**

16 Q. Does this conclude your testimony?

17 A. Yes. It does.

INDEX TO SCHEDULES

Schedule APS-1 (Revised)	Narragansett Standard Offer Service Procurement Plan
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**NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4041
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: ALAN P. SMITHLING**

Schedule APS-1 (Revised)

Proposed Standard Offer Service Procurement Plan

National Grid¹
Rhode Island Standard Offer Service Procurement Plan (the “Plan”)
Effective January 1, 2010

I. Objectives

- A. The Company’s goals in developing the Plan are to comply with the statutory requirements for procuring Standard Offer Service (“SOS”) as follows:
1. To procure an uninterrupted commodity supply and provide transitional pricing for existing SOS and Last Resort Service (“LRS”) customers²;
 2. To provide a service that does not impede the development of the competitive supply markets;
 3. To provide a service for 2010 that could be easily implemented without complex rate design changes for customers;
 4. To provide small customers, i.e. Residential and small Commercial & Industrial customers, with price stability from month to month and in the longer term, and;
 5. To provide a transitional period for the Company to fully design and implement a more managed portfolio for the small customer group intended to provide a greater level of price stability.

II. Structure of the Standard Offer Service Procurement Plan

- A. This Plan will become effective January 1, 2010. The Company will file on each March 1st a subsequent Plan for the following calendar year.
- B. Customer Classes - Two distinct classes of service:
1. Large Commercial & Industrial class (“Large C&I”), consisting of customers receiving service on General C&I Rate G-02, 200 kW Demand Rate G-32, 3,000 kW Demand Rate G-62, Backup Service Rates B-32 and B62, and Electric Propulsion Rate X-01; and
 2. Residential and small Commercial & Industrial class (“Small Customer”) consisting of customers receiving service on Basic Residential Rate A-16, Low Income Discount Rate A-60, Small C&I Rate C-06, Limited Private Lighting Rate S-10 and General Streetlighting Rate S-14.

¹ The Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”)

² Effective January 1, 2010, Last Resort Service (“LRS”) customers will be transferred to SOS, and LRS will no longer be available as a separately procured and priced service

- C. Method of Procurement - The calendar year 2010 SOS will be physically procured through load following full requirements service (“FRS”) contracts, which will be solicited through a Request for Proposal (“RFP”) process. The RFPs will include requirements for contracts that will serve the two customer classes.
1. Large C&I customers - supply will be procured through a single three month FRS contract on a quarterly basis.
 2. Small Customer class - supply will be procured through a single FRS contract; the first procurement will be for nine months (January 2010 through September 2010) and all subsequent procurements will be performed on a six month basis. Contract procurements will be coincident with the procurement for Large C&I supply contracts. In accordance with its Renewable Energy Procurement Plan (“RES Plan”), filed concurrently with this Plan, National Grid also intends to solicit long term contracts for Renewable Energy Certificates (“RECs”). Should National Grid ultimately enter into any long term contracts, those contracts may be coordinated with this Plan, as further described in the RES Plan.
 3. The timing of the RFP award dates will follow a predetermined schedule to obtain the 2010 SOS supply for both classes. The proposed RFP schedule is contained in Attachment 1. Based upon the proposed six month price periods for Small Customers, Attachment 1 also illustrates the RFPs which will acquire 2011 contracts during 2010. The Commission’s approval of the 2011 SOS supply plan will occur as part of the March 2010 annual filing.
- D. Procedure that National Grid will utilize to physically procure SOS:
1. Issue a Request for Proposal (“RFP”) to all interested wholesale power suppliers approximately 75 days prior to the start of the new service period. The proposed RFP is in Attachment 2.
 2. Require that all suppliers have signed a Master Power Agreement (“MPA”); if a new supplier, or a supplier without an MPA wishes to submit bids, they must also submit the marked up MPA template with the indicative bids. The proposed MPA is in Attachment 3.
 3. Receive initial responses to the RFP, which will include background information on each Respondent and the indicative pricing.
 4. Review the indicative bids with the Division of Public Utilities and Carriers (“Division”).
 5. Receive final, binding prices; evaluate final prices and security requirements within the day.
 6. Review final, binding prices with the Division.
 7. Select a supplier(s) and execute a power supply confirm(s).

8. File a summary of the bids received, on a confidential basis, with the Commission for its information. This will include a summary of the basis for selecting any non-conforming bids, if any.
- E. Procedure that National Grid will utilize to manage the supply portfolio costs of the Small Customer group. National Grid will use financial swaps on ISO –New England Internal Hub forward market prices to reduce the volatility of market price impacts on the electric supply costs.
1. Fixed price financial swaps will be procured over varying lengths of time and for varying percentages of the estimated Small Customer Loads.
 2. The total amount of financial swaps for any specified six month rate period will be procured for 100% of the estimated Small Customer load.
 3. The financial swaps will be 100% procured at least two months in advance of the RFP being issued for the FRS contracts.
 4. On the final bid due date for the FRS contracts (award date also) all financial swaps associated with the upcoming FRS period will be settled against the ISO-New England forward market prices (the same forward market prices that are the basis of the FRS contracts).
 5. The settlement of the financial swaps will result in a net gain if forward market prices have risen since the fixed price contract was entered. Conversely, a financial swap will result in a net loss if forward market prices have decreased. The net gain or loss will be used in the calculation of the final Small Customer Load group retail rates.

III. SOS Pricing to Customers

A. SOS pricing will be in accordance with R.I.P.U.C. No. 2012 and will be calculated as follows:

- The Large C&I service rates will be a fixed price that varies monthly and is based on the actual monthly supply contract prices.
- The Small Customer service rates will be a fixed price that represents a weighted average of the actual monthly supply contract prices over the period, plus the net benefit (cost) of the settlement of the financial swap contracts.

IV. Reporting Requirements

A. Quarterly reports – The Company will provide quarterly reports showing the results of the requests for proposals and the retail rates for each class.

V. Cost Recovery

A. Pursuant to Standard Offer Adjustment Provision, R.I.P.U.C. No. 2002, the Company will file its annual reconciliation in November of each year for costs incurred during the prior October through September period. The Company will include separate reconciliations for large C&I customers and residential and small C&I customers.

VI. Attachment List

Attachment 1:	Proposed Procurement Plan & Schedule
Attachment 2:	Proposed FRS Request for Proposals
Attachment 3:	Proposed FRS Master Power Supply Agreement

**NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4041
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: ALAN P. SMITHLING**

Schedule APS-1
Attachment 1

Proposed Procurement Plan and Schedule

Attachment 1
Proposed Procurement Plan & Schedule

	Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Oct-2010	Nov-2010	Dec-2010	Jan-2011	Feb-2011	Mar-2011	Apr-2011	May-2011	Jun-2011	Jul-2011	Aug-2011	Sep-2011
Large C&I RFPs for FRS Contracts																					
Nov-2009	100%	100%	100%																		
Feb-2010				100%	100%	100%															
May-2010							100%	100%	100%												
Aug-2010										100%	100%	100%									
Nov-2010													100%	100%	100%						
Feb-2011																100%	100%	100%			
May-2011																			100%	100%	100%
Small Customer RFPs for FRS Contracts																					
Nov-2009	100%	100%	100%	100%	100%	100%	100%	100%	100%												
Aug-2010										100%	100%	100%	100%	100%	100%						
Feb-2011																100%	100%	100%	100%	100%	100%
Small Customer RFPs for Financial Swap Contracts																					
May-2009	100%	100%	100%	100%	100%	100%	100%	100%	100%	50%	50%	50%	50%	50%	50%						
Tentative Sep-2009										50%	50%	50%	50%	50%	50%	25%	25%	25%	25%	25%	25%
Tentative Dec-2010																25%	25%	25%	25%	25%	25%
Tentative Apr-2010																25%	25%	25%	25%	25%	25%
Tentative Oct-2010																25%	25%	25%	25%	25%	25%

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Schedule APS-1 (Revised)
Attachment 2

Draft Request for Proposal

Request For Power Supply Proposals To Provide The Following Services:

Standard Offer Service in
Rhode Island

For the Period:

January 1, 2010 –
September 30, 2010

MONTH XX, 2009

nationalgrid

**REQUEST FOR
POWER SUPPLY PROPOSALS**

1. Overview

1.1 Background

Legislation in Rhode Island¹ provide for competition in the electric utility industry by extending competition in the wholesale power supply markets to retail customers through the provision of retail access to all customers.

The URA provides access to the competitive retail electricity market for all retail customers of National Grid's distribution company in Rhode Island (The Narragansett Electric Company, including the former Blackstone Valley Electric Company and Newport Electric Corporation) as of January 1, 1998. In 2006 the Rhode Island legislature extended Standard Offer Service from the original termination date of December 31, 2009 until December 31, 2020. The Act requires National Grid to provide standard offer service ("Standard Offer Service") to those customers who are not receiving generation service from a non-regulated power producer.

1.2 Standard Offer Service

Beginning on the retail access date, National Grid's retail customers in Rhode Island have received generation service from either their choice of competitive suppliers or from National Grid through Standard Offer Service or Last Resort Service. Beginning on January 1, 2010, all National Grid customers not taking service from a competitive supplier will begin offered Standard Offer Service.

National Grid will procure the Large Commercial and Industrial customer group ("Large C&I") Standard Offer Service on a 100% basis each quarter. The three month supply service periods will be set on the following basis: January – March, April - June, July – September and October - December. This RFP is for January 1 through March 31 2010.

The Residential and Small Commercial customer group ("Small Customer") Standard Offer Service will begin with a procurement of 100% of their supply for January 1 through September 30, 2010.

National Grid is hereby seeking proposals from qualified power suppliers to supply firm, load-following power to meet these Standard Offer Service requirements.

1.3 Rhode Island Customer Groups

¹ The Rhode Island Utility Restructuring Act of 1996 ("URA" and Rhode Island General Law 39-1-27.3, as amended in June 2002 and The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006 ("The Act") and Rhode Island General Law 39-1-27.3, as amended in 2006.



For the purposes of this solicitation, the Rhode Island customer groups are defined as:

Customer Group	Rate Class
Small Customer	A-16, A-60, C-06, S-10, S-14
Large C&I	G-02, B-32, B-62, G-32, G-62, X-01

2. Description of Services

2.1 Description

Appendix A contains an overview of the services covered by this Request for Proposal (“RFP”). The Appendix provides:

- A brief description of Standard Offer Service;
- The eligibility requirements for a customer to obtain or leave Standard Offer Service;

2.2 Expected Loads

National Grid is unable to predict the amount of load that will be required to meet the needs of each customer group, if any. National Grid’s customers are free to leave Standard Offer Service at any time to take service from competitive suppliers. The ability of customers to enroll or return to Standard Offer Service is described in Appendix A.

To assist Respondents in determining the potential load requirements, National Grid is able to provide the following information on its Power Procurement Web Site:

- Aggregate historical wholesale hourly load data for Standard Offer Service.
- Aggregate historical wholesale hourly loads for Standard Offer Service by customer group (since November 1, 2008);
- Class average load shapes at the retail meter point;
- Historical customer counts, as of the last billing day in each month, by each National Grid company, SMD Load Zone (since March 1, 2003) and rate class. These counts represent the number of active accounts in each rate class as of the last billing day in each month;
- Historical customer counts for customers taking service from a competitive supplier, as of the last billing day in each month, by rate class.
- ICAP tags as of the last day of the month for each load asset.

Please use the following link to access the site:



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

Click on “Data” at the upper right of the screen to access Load data, Customer Count data, Class Average Load Shapes and ICAP Tags. This site is open to anyone with the above link. No user id or password is required to access the data on the site.

2.3 Load Blocks

National Grid’s total Standard Offer Service requirements covered by this RFP are broken down into the following two load blocks:

Load Block	Customer Group	SMD Load Zone	Load Share	Type of Service	Period
A	Large C&I	RI	100%	Standard Offer Service	01/01/10 – 03/31/10
B	Small Customer	RI	100%	Standard Offer Service	01/01/10 – 9/30/10

A Respondent may bid on any number of load blocks that it wishes to serve. Respondents may not limit the amount of service that may be purchased for a given load block. Proposals that contain limits on the amount of service provided will be rejected².

The amount of load for each load block to be supplied by the winning Supplier(s) will be determined in accordance with the procedure contained in Article 6 of the applicable proposed Master Power Agreement, a copy of which is provided in Appendix B.

2.4 Rhode Island Retail Customer Rates

During the term of service covered by this RFP, National Grid intends to establish retail rates for generation service for Standard Offer Service customers in Rhode Island. The Standard Offer Service rates will reflect National Grid’s purchase costs for such service due to commitments made as a result of this RFP.

3. General Provisions

3.1 Terms and Conditions

² For example, a Respondent offering to supply Block A load must agree to supply 100% of the needs of that load block during every month of the Period. The Respondent may not offer to serve Block A provided that the amount of service purchased does not exceed [specified value] MW in any hour.



Request for Power Supply Proposals
 Month XX, 2009
 Page 4 of 22

The winning Supplier(s) will be selected to provide Standard Offer Service to the applicable customer groups/load blocks during the term covered by this RFP. Two separate Suppliers may be selected (one for each load block). Standard Offer Service will be provided by such Supplier(s) to National Grid in accordance with the terms and conditions of the Power Supply Agreement. A copy of the proposed Master Power Supply Agreement for Rhode Island is provided in Appendix B. The winning Supplier(s) will be required to execute the applicable Master Power Supply Agreement(s) and confirmations within three (3) business days of being notified that it has been selected as the winning Supplier.

Any suggested modifications to the proposed Agreement(s) 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	Month XX, 2009 (approximately 75 days prior to service)
Submit Respondent Proposal Information and Proposed Agreement Modifications	Month XX, 2009– 5pm EPT (60 days prior to service)
Submit Indicative Pricing	Month XX, 2009– 10am EPT (50 days prior to service)
Submit Final Pricing	Month XX, 2009– 10am EPT (45 days prior to service)
Execute Agreements and Submit solicitation process summary, Agreements and retail rates to RIPUC	No later than three business days after receipt of all executed agreements.
RIPUC Reviews and Approves both procurement and Standard Offer Service Rates	No later than five business days after filing of Standard Offer Service Rates
Service Begins	January 1, 2010

One (1) copy of a Respondent's Proposal Information and proposed agreement modifications must be received at the following address:

Mr. John D. Warshaw
 Electric Supply & Distributed Generation
 National Grid
 25 Research Drive
 Westborough, MA 01582

(508) 389-3526
 (508) 389-4485 (fax)



e-mail: john.warshaw@us.ngrid.com

Proposal information may be submitted by facsimile or e-mail.

National Grid is conducting the procurement process in three steps. The first step is for Respondents to provide National Grid with their background information, financial information, and proposed agreement modifications by 5:00 p.m. EPT on Month XX, 2009. Upon receipt, National Grid will evaluate each Respondent's qualifications and proposed agreement modifications.

The second step in this process is for Respondents to provide indicative pricing information by 10:00 a.m. EPT on Month XX, 2009 at the above address. National Grid will evaluate the indicative pricing and request, if required, clarifications from Respondents.

The third step is for Respondents to provide final pricing information by 10:00 a.m. EPT on Month XX, 2009 at the above address. National Grid requests final pricing be valid until 3:00 p.m. National Grid intends to evaluate the final pricing and select a Supplier(s) that day. Respondents are requested to specify the manner in which they will accept a binding acceptance of their offer by National Grid prior to receipt of an executed agreement (verbal, letter of intent, e-mail or executed agreement) or they will be deemed to be bound by National Grid's acceptance communicated in any of the preceding manners.

Within three business days of receipt of all executed agreements, National Grid will file with the RIPUC a confidential summary of the solicitation process, the executed agreement(s) and proposed Standard Offer Service Rates.

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 this RFP or any appendix thereto and to withdraw this RFP.

3.3 Contact Person/Questions

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

3.4 Right to Select Supplier

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

4. Service Features



4.1 Commencement Date of Supply

Service from the winning Supplier(s) to National Grid shall begin as of HE 0100 EPT on the date specified in the table found in Section 2.3 – Load Blocks.

Service from National Grid to individual customers who are taking Standard Offer Service in each customer group as of the Commencement Date, if any, will continue with the winning Supplier(s) providing such service to National Grid as of the Commencement Date.

Service from National Grid to individual customers taking Standard Offer Service as of the Commencement Date shall begin on the customer's meter reading date following notification/determination that a customer will be commencing Standard Offer Service or such other date designated by National Grid consistent with National Grid's Tariff for Off Cycle Meter Read for Switch of Supplier R.I.P.U.C. No. 1193 in Rhode Island.

National Grid's procedures provide for customers to be switched from one service option to another (e.g., from Standard Offer Service to a competitive supplier, from one competitive supplier to another competitive supplier, from a competitive supplier to Standard Offer Service) on their normal cycle meter reading dates. However, there may be circumstances (e.g., default of a competitive supplier) that might require a customer to be switched to Standard Offer Service "off-cycle". In such case, the customer will be switched to Standard Offer Service on a date designated by National Grid consistent with National Grid's Tariff for Off Cycle Meter Read for Switch of Supplier R.I.P.U.C. No. 1193 in Rhode Island.

4.2 Termination Date of Supply

Service from the winning Supplier(s) to National Grid shall terminate at HE 2400 EPT on the dates specified in the table found in Section 2.3 – Load Blocks.

Individual customers taking Standard Offer Service from National Grid may terminate the service at any time. Terminations may include, but not be limited to, (i) a customer's taking competitive service from a competitive supplier, (ii) disconnection of service by National Grid in accordance with regulations and procedures approved by the RIPUC, or (iii) closing of a customer's account. National Grid's procedures provide for customers electing to terminate such service to be switched to their successor service on their normal cycle meter reading date following the date that National Grid receives notification of such switch. However, there may be circumstances which might require a customer to be terminated "off-cycle." In such a case, the customer will be terminated from Standard Offer Service on a date to be determined by National Grid.

4.3 Delivery Points



Request for Power Supply Proposals
 Month XX, 2009
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The Supplier(s) of Standard Offer Service will be responsible for delivering power to the nodes/zones representing the actual locations of the Standard Offer Service loads. The Supplier(s) of each of the services will be responsible for any PTF losses allocated by the ISO related to the services. The locations of the Standard Offer Service load assets are as follows:

Company	SMD Load Zone	Load Asset	Load Asset Name	Load Block
NECo	RI	TBD	NECO LARGE C&I CUSTOMER LOAD	A
NECo	RI	TBD	NECO SMALL CUSTOMER LOAD	B

4.4 Form of Service

The Supplier(s) of each Load Block shall be responsible for meeting the specified service requirements for all of National Grid’s customers in a specific Load Block. These service requirements include the generation and/or market procurement and delivery to the delivery point(s) of the portion of the electric capacity, energy and ancillary services required to meet the needs of National Grid’s ultimate customers taking such service. National Grid will implement the transfer of these responsibilities to the Supplier(s) by updating the asset registration for each of the above Load Assets. National Grid will assign to the Supplier(s) the applicable Ownership Share for each Load Asset. Once a Supplier’s obligation terminates, National Grid will terminate the Supplier’s Ownership Share of a Load Asset.

The Supplier(s) shall be responsible for all obligations, requirements, and costs associated with the Supplier(s) having the Load Asset Ownership Share which shall include but not be limited to the day-ahead load obligations and real-time load obligations at the nodes/zones of each Load Asset. A more complete description of a Supplier(s)’s responsibilities can be found in the proposed Master Power Supply Agreements in Appendix B of this RFP.

The Supplier(s) shall be responsible for all decisions and data submissions associated with any bids into the market system to manage these obligations. The Supplier(s) shall be responsible for all components of any Locational Marginal Prices the Supplier must pay in delivery of the services. These components include, but are not limited to, the day-ahead and real-time energy, marginal losses, and congestion charges. As the supplier of such services, the Supplier(s) will be responsible for all present or future requirements and associated costs (to the extent such charges are not imposed on National Grid as a transmission charge by NEPOOL or the ISO) associated with the services and any other requirements, market products, expenses or charges imposed by NEPOOL or the ISO, as they may be in effect from time to time.

The Supplier(s) will also be responsible for all transmission and distribution losses associated with delivery of the electricity from the delivery point to the Standard Offer Service customer's meter. A description of the estimation process for determining supplier hourly load can be found in Appendix A of the proposed Master Power Supply Agreements, found in Appendix B of this RFP.

National Grid will make arrangements with the ISO for transmission service over the PTF and non-PTF, from and after the Delivery Point to the Customers' meters. National Grid will be billed by the ISO and the applicable Participating Transmission Owner(s) for these services. National Grid will pay these bills and collect the costs, along with National Grid's distribution costs, from its retail customers through its retail delivery service tariffs. Any other transmission or distribution costs will be the Supplier(s)' responsibility.

4.5 Implementation of the Rhode Island Renewable Energy Standards ("RES")

The RIPUC established rules and procedures implementing a renewable energy standard for all retail electricity suppliers selling electricity to end-use consumers in the State of Rhode Island to meet the Renewable Energy Standards passed by the state legislature in 2004³. These requirements require National Grid to demonstrate that at least four and one half percent (4.5%) of expected sales in 2010 are supplied from renewable energy generation sources of which up to two percent (2.0%) may come from existing renewable energy generation sources and the remaining percentage may come from new renewable energy generation sources. The RIPUC has issued final regulations to meet these requirements.

These rules and regulations can be found at:

<http://www.ripuc.state.ri.us/utilityinfo/res.html>

National Grid requests Respondents to separately bid the cost of RES compliance equivalent to 4.5% of sales in 2010, of which no more than 2% of sales can be served from existing renewable resources. National Grid will have the option to select bids that include or exclude the RES component.

If National Grid accepts bids with the RES components, National Grid will require the winning Supplier(s) to utilize the NEPOOL Generation Information System ("NEPOOL GIS") to provide NEPOOL GIS Certificates that comply with the requirements of the RES regulations. Respondents may propose alternate methods for demonstrating compliance. In each monthly invoice for a service that includes the RES component, National Grid will take a credit equal to the product of the RES obligation and the Alternative Compliance Payment. Once a Supplier delivers the required number of NEPOOL GIS Certificates, the credit will be returned to the Supplier.

³ Title 39 Public Utilities and Carriers Chapter 39-26 RES.

5. Proposal Requirements

5.1 Format of Proposal

The information required by National Grid to evaluate each proposal is identified in Appendix C. Respondents may simply complete the forms provided in Appendix C in any legible fashion and return them to John D. Warshaw as provided in Section 3.2. In addition, proposals should contain explanatory, descriptive and/or supporting materials as necessary.

5.2 Proposed Pricing

Respondents must specify the price at which they will provide Standard Offer Service for each Load Block on which they are bidding to serve. Purchases will be made on an “as-delivered” energy basis with prices stated on a fixed \$/MWh basis. Such prices may vary by calendar month and by customer group, but must be uniform for the entire calendar month and cover the entire term of this Request for Proposals.

Prices which contain demand components, minimum purchase requirements or which vary by time-of-use within a calendar month will be rejected. Prices which exclude one or more market costs (e.g. Installed Capability, uplift costs, etc.) may, at National Grid’s discretion, be rejected.

National Grid intends to pay a Supplier(s) based on the billing determinants as defined in the proposed Power Supply Agreement. These billing determinants are the loads as reported to the ISO, which include transmission and distribution losses, and exclude any PTF losses allocated to the Supplier by the ISO during the settlement.

National Grid is seeking the following pricing:

- **All-Inclusive Bids:** For each Load Block (A and B), a price which includes all costs. Should National Grid select this option, (1) suppliers would be responsible for all costs including capacity market charges and (2) Suppliers would not be responsible for supplying the RES component.
- **RI-RES Compliance:** Price, on a separate \$ per MWh basis for 2010, the Supplier to provide both the new and existing RES component for Load Blocks A and B. Should National Grid select this option, the RES Compliance Bid prices would be added to the All-Inclusive Bid price and the Supplier would provide the applicable quantity of NEPOOL GIS Certificates (see Section 4.5).

5.3 Terms and Conditions



Service will be provided pursuant to the terms of the proposed Master Power Agreements provided in Appendix B. Should a Respondent request National Grid to consider any changes to the proposed terms, such request must be presented to National Grid with its Proposal Information by Month XX, 2009.

5.4 New England Market Participation

Each Respondent must indicate whether it has an executed and accepted Market Participant Service Agreement with ISO New England or if it plans to execute an agreement and, if so, at what point it is in the application process and the time frame for completing the process. Respondents must also provide evidence of agreements with a Market Participant if Respondent will have another Market Participant be responsible for its market settlement obligations.

5.5 Competitive Supplier Registration

The service provided by the Supplier(s) of Standard Offer Service to National Grid is a wholesale transaction between the Supplier(s) and National Grid; therefore, the Supplier(s) do not have to be licensed or registered suppliers with any state regulatory commission.

5.6 Regulatory Approvals

The Supplier(s) of the services covered by this Request for Proposal must obtain and maintain all necessary regulatory approvals required to enable it to provide the applicable service; such approvals must be obtained prior to January 1, 2010.

6. Retail Customer Relationships

6.1 Customer Billing

All customers taking Standard Offer Service covered by this RFP will be retail customers of National Grid. As the retail provider of such service, National Grid will bill customers for the Standard Offer Service provided.

6.2 Notification of Enrollments and Terminations

National Grid will provide electronic notification to the Supplier(s) of Standard Offer Service customer enrollments and terminations within a customer group. Enrollment information will include account number, rate class and commencement date of service. Termination information will include account number, rate class and termination date of service. Such notifications shall only be provided when a Supplier establishes a Windows or Unix file server with capability of sending and receiving File Transfer Protocol ("FTP"), files with Pretty Good Privacy ("PGP"), Encryption/Decryption, and (ii) verifies its ability to transfer files to and receive files from National Grid at least

fourteen (14) days prior to the day on which a Supplier desires to commence electronic receipt.

6.3 Customer Service

National Grid, as the retail provider of Standard Offer Service, will provide customer service to all customers receiving Standard Offer Service.

7. Load Response Program

National Grid fully supports load response programs and has successfully developed and implemented many programs over the years. Respondents are encouraged to include load response programs for various customer groups as part of their proposals. National Grid will work with winning Supplier(s) to implement the proposed load response program during the term of service.

8. Selection Process

The principal criteria to be used in evaluating proposals will include:

- Lowest evaluated bid price by Load Block;
- Respondent's ability to meet the credit requirements established in the proposed Master Power Supply Agreements provided in Appendix B;
- 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 Power Supply Agreement; and
- Whether there have been any past or are any present events that are known that may adversely affect the supplier's ability to provide the requirements to National Grid's Standard Offer Service customers.

9. Credit Requirements

In order to protect National Grid's Standard Offer Service customers from the risk of Supplier(s) default, a winning Supplier(s) must be able to demonstrate it has the financial resources to perform during the term of the agreement. Respondents that are rated by a major credit rating agency must provide the ratings assigned by such agencies.



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Month XX, 2009
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Respondents that are not rated by a major credit rating agency must provide the following information to enable National Grid to evaluate a Respondent's financial strength:

- Respondent's organizational history
- Date of establishment
- Initial (if founded within the last ten years) and current capitalization
- Certified financial statements, including balance sheets and statements of income and cash flow with respect to the two previous fiscal years and the most recent interim period
- Forms 10-K and 10-Q, submitted to the United States Securities and Exchange Commission for the two previous fiscal years, if applicable;
- Short-term and long-term debt ratings from Moody's Investor Service or Standard & Poor's Corporation
- Corporate affiliates or joint venture partners including any details regarding financial limitations between partners or affiliates.

If a Respondent has provided this information to National Grid or an affiliate in a response to a previous RFP, then the Respondent needs only to identify the date and to whom the information was submitted and update the previously provided information.

National Grid agrees that it will treat the information it receives from Respondents in a confidential manner and 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.

APPENDIX A

DESCRIPTION OF SERVICES

The Narragansett Electric Company	
Standard Offer Service	
Description	Electric Service provided to retail customers who are not taking service from a competitive supplier.
Eligibility Requirements	Service to customers can be initiated by: a) A customer notifying National Grid that it wishes to terminate service from its competitive supplier and commence Standard Offer Service. b) A competitive supplier notifying National Grid that it is terminating service to a customer. c) A competitive supplier ceasing to provide service to a customer without notifying National Grid. d) A customer moves into National Grid’s service territory and does not affirmatively choose a competitive supplier.
Aggregate Number of Customers Taking Service and Historical Load Profiles	Note: Historic customer count data and historical hourly load profiles are available at National Grid’s procurement web site: http://www.nationalgridus.com/energysupply/

APPENDIX B

PROPOSED MASTER POWER SUPPLY AGREEMENT

Refer to the Testimony of Alan P. Smithling, Schedule APS-1, Attachment 3, for the proposed Master Power Supply Agreement template.

APPENDIX C

REQUIRED PROPOSAL 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

<p>Describe, in detail, any situation in which Respondent (either individually or as part of a consortium, joint venture or other group), or an affiliate of Respondent, defaulted or was deemed to be in noncompliance of its contractual obligations to transact business in the energy sector within the past five years including, without limitation, to purchase or deliver energy, capacity or other market products at retail or wholesale, or for the purchase or sale of electricity or natural gas, and including any financing agreements or financing provisions of any agreement.</p> <p>Explain the situation, its outcome and all other relevant facts associated with the event.</p> <p>If there was litigation, provide the case caption, index number and court.</p> <p>Identify the name, title and telephone number of the principal manager of the customer/client who asserted the event of default or noncompliance.</p>	
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RESPONDENT: _____

<p>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.</p>	
<p>Describe any facts presently known to Respondent that might adversely affect its ability to provide the service(s) bid herein as provided for in the RFP</p>	

4. NEPOOL AND POWER SUPPLY EXPERIENCE

<p>Is Respondent a member of NEPOOL?</p>	
<p>Does Respondent have an executed and accepted Market Participant Service Agreement with ISO New England?</p>	
<p>Name of Market Participant if Respondent will have another Market Participant be responsible for its market settlement obligations .</p>	
<p>Describe Respondent’s experience and record of performance in the areas of power marketing, brokering, sales, and/or contracting, for the last five years within NEPOOL and/or the New England region.</p>	
<p>Provide three references (name, title and contact information) who have contracted with the Respondent for similar load following services within the last 2 years.</p>	

RESPONDENT: _____

5. CONFLICTS OF INTEREST

<p>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.</p>	
<p>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.</p>	
<p>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.</p>	

6. SCOPE OF BID AND TERMS OF SALE

<p>Will Respondent execute a contract substantially similar to the proposed Master Power Agreements contained in Appendices B, C and D?</p> <p>Explain any proposed modifications.</p>	
<p>List all regulatory approvals required before service can commence.</p>	

RESPONDENT: _____

7. Proposed Pricing

(Respondent required to submit bidding spreadsheet included on procurement web site)

Standard Offer Service

Bid Block	SMD Zone	Customer Group	Period From	To	Monthly Pricing - \$/MWh (all inclusive - without RES Component)								
					Jan'10	Feb'10	Mar'10						
A	RI	Large C&I	01-Jan-10	31-Mar-10									
Bid Block	SMD Zone	Customer Group	Period From	To	Monthly Pricing - \$/MWh (all inclusive - without RES Component)								
					Jan'10	Feb'10	Mar'10	Apr'10	May'10	Jun'10	Jul'10	Aug'10	Sep'10
B	RI	Small Customer	01-Jan-10	30-Sep-10									
RI RES Compliance Adder			2010		\$/MWh								

**NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4041
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: ALAN P. SMITHLING**

Schedule APS-1
Attachment 3

Draft Master Power Agreement

RHODE ISLAND MASTER POWER AGREEMENT

This **MASTER POWER AGREEMENT** (“Master Power Agreement”) is dated as of [date] and is by and between **THE NARRAGANSETT ELECTRIC COMPANY**, a Rhode Island corporation (“Buyer”) and [Company], a [what] (“Seller”). This Master Power Agreement provides for the sale by Seller of Standard Offer Service, as defined herein, to the Buyer. Buyer and Seller are referred to herein individually as a “Party” and collectively as the “Parties”.

ARTICLE 1. BASIC UNDERSTANDINGS

Seller and Buyer have agreed to execute this Master Power Agreement in order to establish the basic terms of Seller’s provision and sale of, and Buyer’s acceptance and purchase of, Standard Offer Service. This Master Power Agreement, together with the Appendices and written supplements (including any Confirmations) hereto, and any designated collateral, credit support or margin agreement or similar arrangement between the Parties regarding the Transactions (as defined in Article 2), shall be referred to as the “Agreement” and shall constitute the entire agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the Parties concerning such subject matter but specifically excluding written agreements executed by the Parties prior to the Effective Date.

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.

Aggregate RES Requirement means the total of the RES Requirement for each calendar month during a Delivery Term in which there is an RES Requirement in a Transaction.

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.

Award Block means the numerical designation, for administrative purposes only, as may be set forth on a Confirmation to identify Customer Groups to be served from and including the Commencement Date through the Conclusion Date and the associated Load Asset Number and Load Asset Name, or other information as may be associated therewith in a Confirmation.

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 has the meaning set forth in the preamble of this Master Power Agreement, along with any successors, assigns, employees, agents and authorized representatives thereof.

Buyer's Service Territory means the geographic area served by The Narragansett Electric Company including the service territory formerly served by Blackstone Valley Electric Company and Newport Electric Corporation which has been merged with and into The Narragansett Electric Company.

Buyer's System means the electrical transmission and distribution system of the Buyer and the electrical transmission and distribution system of any Affiliate of the Buyer.

Commencement Date means the period at HE 0100 EPT on the date set forth for each Customer Group in the Confirmation for the applicable Transaction.

Commission means the Federal Energy Regulatory Commission, or its successor.

Competitive Supplier Terms means Narragansett's Terms and Conditions for Nonregulated Power Producers, R.I.P.U.C. No. 1191, as may be amended from time to time and approved by the RIPUC.

Conclusion Date means the period at HE 2400 EPT on the date set forth for each Customer Group in the Confirmation for the applicable Transaction.

Confirmation means a confirmation that is mutually agreed to and executed by the Parties, which may be in the form set forth in Appendix B or in a form otherwise agreed to by the Parties, such document to serve as a supplement or modification of this Master Power Agreement with respect to a specific Transaction.

Confirmation Term means, for the applicable Transaction, the period beginning as of the effective date set forth in a Confirmation and continuing through to the date both Parties have fulfilled all of their obligations with respect to such Transaction.

Contract Rate has the meaning set forth in the Confirmation for the applicable Transaction.

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.

Customer Disconnection Date means the date when a Standard Offer Service Customer is disconnected from service, as determined by the Buyer in accordance with the Distribution Service Terms.

Customer Group means Buyer's customers who receive Standard Offer Service in the Large Commercial and Industrial Customer Group and/or Small Commercial and Residential Customer Group corresponding to each of the foregoing customer groups as specified on the Confirmation for the applicable Transaction.

Customer Termination Date means the date when a Standard Offer Service Customer ceases to take service under the Standard Offer Service Tariff, each date as determined by the Buyer in accordance with the Distribution Service Terms.

Delivered Energy means the quantity of energy, expressed in megawatt-hours, provided by Seller with respect to a specific Transaction. This quantity shall be the sum of the quantity of energy reported to the ISO by the Buyer for each of the Load Assets identified in a specific Transaction, with such quantity determined by the Buyer in accordance with Section 6.3 of this Master Power Agreement. Such quantity shall not include any allocation of PTF losses (which the ISO may assess to Seller in relation to such energy), but shall include transmission and distribution losses on the Buyer's System from the Delivery Point to the meters of Standard Offer Service Customers.

Delivery Point means, for each Load Asset (x) identified in or in accordance with a specific Transaction and (y) as set forth in the Confirmation related to a specific Transaction (i) the Nodes at which the Real-Time Load Obligations are established in the ISO Settlement Power System Model for the registered Load Assets representing the physical loads of Standard Offer Service Customers for the Delivery Term for such customers, identified by the Load Asset ("Loads With Nodes"), for any period and in any location in which there are Loads With Nodes and the ISO requires use of Nodes for Real-Time Load Obligations, or (ii) the Load Zones at which the Real-Time Load Obligations are established in the ISO Settlement Power System Model for the Load Assets representing the physical loads of Standard Offer Service Customers for the Delivery Term for such customers, identified by the Load Asset ("Loads with Zones") if (a) the ISO does not require use of Nodes for Real-Time Load Obligations and (b) the use of Loads with Zones in a calculation of ISO settlement charges and costs yields the same mathematical result as a calculation thereof using Loads with Nodes; or (iii) in the event of neither (i) nor (ii), Loads with Nodes and, in any location in which there are no Loads with Nodes, Loads with Zones.

Delivery Term(s) means the period(s) set forth in the Confirmation for a particular Transaction for the respective Standard Offer Service designations, beginning on at the top of the HE 01:00 EPT on the Commencement Date (set forth in the applicable Confirmation) and continuing through and including the end of HE 24:00 EPT on the Conclusion Date.

Distribution Service Terms means Narragansett's Terms and Conditions, R.I.P.U.C. No. 1192, as may be amended from time to time and approved by the RIPUC.

Effective Date means the date that this Master Power Agreement is executed by all Parties.

EPT means Eastern Prevailing Time.

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

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.

Initiation Date means the date a retail customer of the Buyer begins taking service pursuant to the Standard Offer Service Tariff as determined by the Buyer in accordance with the Distribution Service Terms.

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 in writing 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.

Large Commercial and Industrial Contract Rate means the value as set forth in Appendix D as applicable to a month in the Delivery Term.

Large Commercial and Industrial Customer Group means Narragansett's customers in the G-02, B-32, B-62, G-32, G-62, and X-01 retail rate classes, or such other rate classes as may be added from time to time.

Locational Marginal Pricing means as set forth in the Market Rules and Procedures.

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 a document produced by the NEPOOL-GIS that identifies the relevant generation attributes of each MWh accounted for in the NEPOOL-GIS from a generation unit.

NEPOOL means the New England Power Pool, or its successor.

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 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.

PTF means facilities categorized as Pool Transmission Facilities under the ISO Tariff.

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.

RES Requirement means the quantity of New Renewable Energy Resource NEPOOL-GIS Certificates and Existing Renewable Energy Resource NEPOOL-GIS Certificates to be provided by Seller as set forth in the Confirmation for a specific Transaction, if any.

Requirements means all electric generation and/or market purchases and delivery, to the Delivery Point, of the electric capacity, energy, ancillary services, operating reserves (including forward reserves) and all other market products required by the Buyer to provide kilowatt-hours to meet the needs of Standard Offer Service Customers during the Delivery Term.

RIPUC means the Rhode Island Public Utilities Commission, or its successor.

RI Load Zone means the Rhode Island Reliability Region as defined in the NEPOOL Rules.

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

Small Commercial and Residential Customer Rate means the value as set forth in Appendix D as applicable to a month in the Delivery Term.

Small Commercial and Residential Customer Group means Narragansett's customers in the A-16, A-60, C-06, S-10 and S-14 retail rate classes, or such other rate classes as may be added from time to time.

Standard Offer Service means the provision of Requirements by Seller at the Delivery Point to Narragansett to meet all needs of Standard Offer Service Customers.

Standard Offer Service Customer(s) means, for a specific Transaction, the customers in each Customer Group set forth in the applicable Confirmation taking service pursuant to the Standard Offer Service Tariff.

Standard Offer Service Tariff means Narragansett's Tariff for Standard Offer Service, R.I.P.U.C. No. 2011, as may be amended from time to time and approved by the RIPUC.

Term means as defined in Section 3.1.

Transaction means a particular transaction agreed to by Buyer and Seller relating to the purchase and sale of Standard Offer Service pursuant to this Agreement, as evidenced by the execution of a written Confirmation by Buyer and Seller setting forth the specific terms and conditions thereof.

ARTICLE 3. TERM, SERVICE PROVISIONS AND REGISTRATION REQUIREMENTS

Section 3.1 Term

The term of this Master Power Agreement (the “Term”) shall commence on the Effective Date and shall continue in effect until the earlier of (i) its termination by any Party upon thirty (30) days’ prior written notice and (ii) its termination in accordance with Subsection 7.2(a); provided, however, that such termination shall not affect or excuse the performance of any Party under any provision of this Master Power Agreement that by its terms or operation survives any such termination and, provided further, that this Master Power Agreement and any other documents executed and delivered hereunder shall remain in effect with respect to the Transaction(s) entered into prior to the effective date of such termination until both Parties have fulfilled all of their obligations with respect to such Transaction(s). As of the termination of this Master Power Agreement, subject to the immediately foregoing sentence, and subject to any time limits specifically set forth in this Master Power Agreement or in a Confirmation, 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 Master Power Agreement before such expiration or termination or (b) that such terms and provisions expressly or by their operation survive the termination or expiration of this Master Power Agreement.

Section 3.2 Commencement of Supply

(a) Beginning as of the Commencement Date for each specific Customer Group in a specific Transaction, Seller shall provide Requirements to the Buyer. For purposes of certainty: Seller's obligations on the Commencement Date shall be to provide Requirements for all Standard Offer Service Customers identified in the related Confirmation taking service as of and including the Commencement Date.

(b) With respect to each person or entity that becomes a Standard Offer Service Customer subsequent to the applicable Commencement Date, Seller shall provide Requirements to the Buyer to meet the needs of the Standard Offer Service Customer(s) as of and including the Initiation Date for such customer initiating such service during the applicable Delivery Term.

(c) If Seller elects to receive electronic notification as provided in Section 3.7, the Buyer shall provide to Seller a notice of Initiation Date via electronic file transfer and in a format specified by the Buyer. Each notice of Initiation Date shall include the account number, the date Seller's service to the Buyer is to begin for a Standard Offer Service Customer and the customer's rate class.

Section 3.3 Termination and Conclusion of Supply

(a) With respect to each Standard Offer Service Customer that terminates Standard Offer Service during the applicable Delivery Term, Seller shall provide Requirements to the Buyer for such customer on the Customer Termination Date but shall not provide Requirements for such customer after the Customer Termination Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7, the Buyer shall provide to Seller a notice of Customer Termination Date via electronic file transfer

and in a format specified by the Buyer. Each notice of Customer Termination Date shall include the account number, the Customer Termination Date and the customer's rate class.

(c) Seller's obligation to provide Requirements with respect to each specific Customer Group in a specific Transaction shall cease at the applicable Conclusion Date.

Section 3.4 Customer Disconnection Date

(a) With respect to each Standard Offer Service Customer whose Standard Offer Service is disconnected during the applicable Delivery Term, Seller shall provide Requirements to the Buyer for such customer on the Customer Disconnection Date but shall not provide Requirements for such customer after the Customer Disconnection Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7, The Buyer shall provide to Seller a notice of Customer Disconnection Date via electronic file transfer and in a format specified by the Buyer. Each notice of Customer Disconnection Date shall include the account number, the Customer Disconnection Date and the customer's rate class.

Section 3.5 Distribution Service Interruptions

Seller acknowledges that interruptions in distribution service occur and may reduce the load served hereunder. Seller further acknowledges and agrees that the Buyer may interrupt distribution service to customers consistent with the Distribution Service Terms and the Competitive Supplier Terms. In no event shall a Party have any liability or obligation to the other Party in respect of any such interruptions in distribution service.

Section 3.6 Release of Customer Information

The Buyer will not issue any customer information to Seller unless Seller has first obtained the necessary authorization in accordance with the provisions of the Competitive Supplier Terms.

Section 3.7 Electronic Notification

At Seller's election, the Buyer shall provide notices contemplated by Sections 3.2, 3.3 and 3.4 via electronic file transfer. Such election shall only be effective when Seller (i) establishes a Windows or Unix file server with capability of sending and receiving File Transfer Protocol ("FTP"), files with Pretty Good Privacy ("PGP"), Encryption/Decryption, and (ii) verifies its ability to transfer files to and receive files from the Buyer at least fourteen (14) days prior to the day on which Seller desires to commence electronic receipt.

Section 3.8 Change in Supply; No Prohibition on Programs

(a) Seller acknowledges and agrees that the number of customers and the Requirements to meet the needs of such customers will fluctuate throughout the Delivery Term and may equal zero. The Buyer shall not be liable to Seller for any losses Seller may incur, including but not limited to lost revenues, and losses that may result from any change in Requirements, number or location of customers taking service, the location of the Delivery Point(s), the composition or components of market products or Requirements, or the market for

electricity, or change in the Distribution Service Terms or the Standard Offer Service Tariff. Seller further acknowledges and agrees that there is no limit on the number of Customer Initiation Dates, Customer Termination Dates and Customer Disconnection Dates.

(b) Seller acknowledges and agrees that the Buyer has the right but not the obligation to continue, initiate, support or participate in any programs, promotions, or initiatives designed to or with the effect of encouraging customers to leave Standard Offer Service for any reason (“Programs”). Nothing in this Agreement shall be construed to require notice to or approval of Seller in order for the Buyer to take any action in relation to Programs.

(c) Seller acknowledges and agrees that the Buyer and Affiliates of the Buyer will not provide Seller preferential access to or use of the Buyer’s System and that Seller’s sole and exclusive rights and remedies with regard to access to, use or availability of the Buyer’s System, and the Buyer’s or Affiliates of the Buyer’s obligation to transmit electricity are those rights, remedies and obligations provided under the Distribution Service Terms or the NEPOOL Rules.

Section 3.9 Uniform Disclosure Requirements

Seller shall provide the Buyer information pertaining to power plant emissions, fuel types, labor information and any other information required by the Buyer to comply with the uniform disclosure requirements contained in R.I.G.L. Section 39-26-9 and any other disclosure regulations which may be imposed upon the Buyer during the term of this Agreement, as such disclosure requirements apply to Standard Offer Service provided by Seller pursuant to this Agreement.

Seller shall utilize the NEPOOL-GIS to transfer Load Obligations or NEPOOL-GIS Certificates, as applicable, to the Buyer’s certificate account in the number equal to the Delivered Energy for Standard Offer Service in a month during the term of a Transaction. Such Load Obligations or NEPOOL-GIS Certificates, as applicable, shall be delivered by Seller at least five (5) Business Days prior to the close of the applicable Trading Period. The Load Obligations or NEPOOL-GIS Certificates, as applicable, shall be delivered by Seller to an account within the NEPOOL-GIS designated by the Buyer.

ARTICLE 4. SALE AND PURCHASE

Section 4.1 Provision Delivery and Receipt

With respect to each Transaction, Seller shall provide and deliver to the Delivery Point and the Buyer shall receive at the Delivery Point the percent of the Requirements applicable to each Customer Group during the Delivery Term, all as set forth in the Confirmation related to such Transaction.

Section 4.2 Responsibilities

(a) The Buyer shall arrange with the ISO for transmission service over the PTF and non-PTF from and after the Delivery Point to the customers’ meters. The Buyer shall be responsible for all transmission costs over the PTF and non-PTF from the Delivery Point to the meters of the Buyer’s customers. Seller shall be responsible for all transmission and distribution

costs associated with the delivery of Requirements to and including the Delivery Point except the transmission costs otherwise provided for in this paragraph.

(b) Seller shall be responsible for all decisions and data submissions associated with the Ownership Share of the Load Assets in ARTICLE 6, Section 6.4 including any bids into the market system to manage these obligations.

(c) Seller shall be responsible for all present and future obligations, requirements, and costs associated with the Requirements and/or Seller's provision thereof, whether system wide or locational based including, but not limited to, the real-time load obligations, capacity obligations and/or charges(including but not limited to installed capacity, unforced capacity, locational installed capacity, locational unforced capacity, forward capacity market obligations, forward capacity market transition payment obligations), regulation obligations and/or charges (including any regulation opportunity costs), operating reserve obligations and/or charges (including, but not limited to, (w) any real-time reserve charges, (x) any forward reserve charges, (y) any charges associated with reserve constraint penalty factors, and (z) net commitment period compensation ("NCPC") charges (other than monthly fixed-cost charges paid to resources pursuant to reliability agreements negotiated under Market Rule 1 Appendix A, Section III.A.6 and Exhibit 2)), emergency energy charges, inadvertent energy revenue charges, ISO Schedule 1 charges (other than ISO Schedule 1 charges that are both (i) associated with the Buyer's Regional Network Service and (ii) allocated on the basis of Regional Network Load), ISO Schedule 2 charges, ISO Schedule 3 charges, day-ahead energy market charges, and real-time energy market charges at the nodes, if any, and if none, the zones representing the actual locations of the meters of the Standard Offer Service Customers, and any other requirements, market products, expenses and charges imposed by NEPOOL or the ISO, as they may be in effect from time to time related to the provision and/or delivery of Requirements to and including the Delivery Point. Except as otherwise specifically excluded in this paragraph, Seller's responsibility for costs and charges shall be without regard to the manner in which they are allocated by NEPOOL or the ISO.

(d) Seller shall be responsible for all costs and components thereof of any Locational Marginal Prices to provide Standard Offer Service (during the applicable Delivery Term), including its delivery to the Delivery Point. These components include the energy component, loss component, and congestion component.

(e) Seller shall be responsible for all congestion charges for delivery to the actual meters of Standard Offer Service Customers (during the applicable Delivery Term).

(f) Seller shall utilize the NEPOOL-GIS to transfer the quantity of NEPOOL-GIS Certificates from New or Existing Renewable Energy Resources equal to the RES Requirement to the account within the NEPOOL-GIS designated by the Buyer. Seller may satisfy the Aggregate RES Requirement at any time during the Delivery Term for a Confirmation provided such delivery occurs at least five (5) Business Days prior to the close of the applicable Trading Period associated with the Delivery Term; provided further, however, that the total number of NEPOOL-GIS Certificates from New or Existing Renewable Energy Resources shall not exceed the Aggregate RES Requirement for a Transaction.

(g) Seller shall notify Buyer within one Business Day of receipt of notice of termination from the ISO or event of default or similar occurrence under the Market Participant Service Agreement.

ARTICLE 5. AMOUNT, BILLING and PAYMENT

Section 5.1 Amount

The amount payable by the Buyer to Seller shall be the sum of the amounts due under all applicable Transactions.

Section 5.2 Billing and Payment

(a) On or before the tenth (10th) day of each month during the Term, Seller shall calculate the amount due and payable to Seller pursuant to Section 5.1 with respect to the preceding month (the "Calculation"). Seller shall provide the Calculation to the Buyer and such Calculation shall include sufficient detail for the Buyer to verify its formulation and computation. Calculations under this paragraph shall be subject to recalculation in accordance with Article 6 and shall be subject to adjustment (positive or negative) based upon such recalculation (a "Reconciliation Adjustment"). Seller shall promptly calculate the Reconciliation Adjustment upon receiving data described in Section 6.3 and shall include the adjustment, if any, in the next month's Invoice. A Reconciliation Adjustment based upon a change in the quantity for an earlier month shall be calculated using the applicable Contract Rate for the month in which the Delivered Energy was received.

(b) Seller shall submit to the Buyer an invoice with such Calculation as provided for in paragraph (a) of this Section (the "Invoice") and the respective amounts due under this Master Power Agreement not later than the tenth (10th) day of each month. The Buyer shall pay Seller the amount of the Invoice (including the Reconciliation Adjustment, if any, as a debit or credit) less any amounts disputed in accordance with Section 5.3, on or before the twenty-fifth (25th) day after receiving the Invoice (the "Due Date"). Except for amounts disputed in accordance with Section 5.3, if all or any part of the Invoice 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 the Interest Rate in effect on the Due Date. The Due Date for a Reconciliation Adjustment shall be the Due Date of the Invoice in which it is included.

(c) Each Party shall notify the other Party upon becoming aware of an error in an Invoice, Calculation or Reconciliation Adjustment (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 the Interest Rate 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 Calculations, Invoices or Reconciliation Adjustments (or the data utilized in the forgoing) 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 performance under this Agreement including but not limited to the purchase and sale of Requirements and both Existing and New Renewable Energy Resource NEPOOL-GIS Certificates to the Buyer, if any. Seller shall pay all Taxes with respect to the Requirements up to and at the Delivery Point, and the Buyer will pay all Taxes with respect to the Requirements after the Delivery Point. All Requirements, including electricity and other related market products delivered hereunder by Seller to the Buyer shall be sales for resale with the Buyer reselling such electricity and products.

Section 5.5 Netting and Setoff

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

ARTICLE 6. QUALITY; LOSSES and QUANTITIES REQUIRED; DETERMINATION AND REPORTING OF HOURLY LOADS

Section 6.1 Quality

All electricity shall be delivered to the Buyer in the form of three-phase sixty-hertz alternating current at the Delivery Point.

Section 6.2 Losses

Seller shall be responsible for all transmission and distribution losses and the costs related to such losses and associated with the Requirements, namely, losses from the Delivery Point to the meters of the Standard Offer Service Customers. Seller shall provide to the Buyer at the Delivery Point quantities of electricity and ancillary services, capacity and all other market products related thereto to cover such losses from the Delivery Point to the meters of Standard Offer Service Customers. The quantities required for this purpose in each hour of a billing period shall be determined in accordance with ISO's and the Buyer's procedures for loss determination.

Section 6.3 Determination and Reporting of Hourly Loads

(a) The Buyer will estimate the Delivered Energy for Standard Offer Service provided by Seller pursuant to each Transaction based upon average load profiles developed for each of the Buyer's customer classes and the Buyer's actual total hourly load. The Buyer shall report to the ISO and Seller, the estimated Delivered Energy for each Transaction. The Buyer will normally report to the ISO and to Seller Seller's estimated Delivered Energy by 1:00 P.M. EPT of the second following Business Day. Appendix A provides a general description of the estimation process that the Buyer will initially employ (the "Estimation Process"). The Buyer shall have the right but not the obligation, in its sole and exclusive judgment, to modify the Estimation Process from time to time, provided that any such modification is designed with the objective of improving the accuracy of the Estimation Process.

Each month, the Buyer shall reconcile the Buyer's estimate of the Delivered Energy for each Transaction based upon the Buyer's meter reads (such meter reads as provided for in the Distribution Service Terms). The reconciliation, including all losses, shall be the adjusted Delivered Energy. The Buyer will normally notify the ISO of any resulting adjustment (debit or credit) to Seller's account for the Load Assets (set forth in a specific Confirmation) no later than the last day of the third month following the billing month. Appendix A provides a general description of this reconciliation process, which process may be changed by the Buyer from time to time in its sole and exclusive discretion.

Section 6.4 ISO Settlement Market System Implementation

As soon as possible after the execution of a Confirmation related to a specific Transaction and before the applicable Commencement Date, the Buyer shall assign to Seller, and Seller shall accept assignment of an Ownership Share for each Load Asset in such Confirmation. Such assignment shall be effective beginning on the applicable Commencement Date. Seller shall maintain such ownership until the Conclusion Date (or, if earlier, the termination date established in accordance with 7.2(a)). Seller shall take any and all actions necessary to effectuate such assignment and, if applicable in accordance with the foregoing, transfer, including executing documents required by the ISO. Once Seller's provision of Standard Offer Service terminates (effective as of the minute after the Conclusion Date or, if earlier, the termination date established in accordance with 7.2(a)), the Buyer will terminate Seller's Ownership Shares of the aforementioned Load Assets

The Buyer shall have the right to change the Load Asset designations from time to time, consistent with the definition and provision of Standard Offer Service. If and to the extent such designations change, the Buyer and Seller shall cooperate to timely put into effect the necessary

ISO Settlement Market System contracts that may be necessary to implement the new designations and terminate the prior designations.

ARTICLE 7. DEFAULT AND TERMINATION

Section 7.1 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 due to causes excused by Force Majeure or attributable to Seller's wrongful act or failure to act in breach of this Agreement); and

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

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

(i) Failure of Seller

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

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

- (ii) Failure of Seller to provide Requirements in accordance with Articles 3 and 4;
 - (iii) Failure of Seller to satisfy its obligation to provide security when due and in accordance with Section 7.3;
- (c) Any one or more of the following events with respect to either Party shall constitute an "Event of Default" hereunder with respect to such Party:
- (i) The entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of such Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or (B) a decree or order adjudging such Party as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Party under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of such Party or of any substantial part of its property, or ordering the winding up or liquidation of its affairs;
 - (ii) The commencement by such Party of a voluntary case or proceeding, or any filing by a third party of an involuntary case or proceeding against a Party that is not dismissed within thirty (30) days of such third party's filing, under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of such Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of a Party or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by such Party in furtherance of any such action;
 - (iii) Any representation or warranty made by a Party is or becomes false or misleading in any material respect.

Section 7.2 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") terminating this Agreement and all, but not less than all, Transactions. Upon a termination for an Event of Default under Section 7.1(a), (b) or (c)(iii), such termination shall be effective as of the date specified in the Termination Notice, which date shall be no earlier than the date such notice is effective and no later than thirty (30) days after the date of such notice is provided to the defaulting Party in accordance with Article 8. Upon a termination for a default or Event of Default under Section 7.1(c)(i) or (ii), such termination shall be effective as of the Event of Default, provided that the non-defaulting Party provides written notice to the defaulting Party in accordance with Article 8 within ten (10) Business Days of the Event of Default. If such notice is not given within ten (10) Business Days of the Event of Default, the non-defaulting Party shall be entitled to terminate this Agreement effective as of the date specified in the written notice termination. Any attempted cure by a defaulting Party after this Agreement has been terminated by the non-defaulting Party shall be void and of no effect. The Parties' obligations under this Agreement, in general and under this Section 7.2 in particular, are subject to the duty to mitigate damages as provided under common law. 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) Seller expressly agrees that at any time after the occurrence of an Event of Default by Seller, or the delivery of a Termination Notice to Seller by the Buyer, the Buyer may exercise any rights it may have pursuant to the Article 7.3 (Security).

(c) In the event of termination for an Event of Default as provided in Section 7.1, in addition to any amounts owed for performance (or failure to perform) hereunder prior to such termination, the non-defaulting Party may recover, without duplication, its direct damages resulting from such Event of Default; such damages shall include the positive (if any) present value of this Agreement to the non-defaulting Party for the portion of the Delivery Term remaining at the time of such termination, to be determined by reference to market prices, transaction costs and load reasonably projected for the remaining portion of the Delivery Term ("Termination Damages"). The Termination Damages shall include all reasonably incurred transaction costs and expenses that otherwise would not have been incurred by the non-defaulting Party. In determining its Termination Damages, the non-defaulting Party shall offset its losses and costs by any gains or savings realized by the non-defaulting Party as a result of the termination. Seller and Buyer agree that the foregoing provision is intended to reflect a mutually acceptable measure of damages for such Event of Default.

Payment of Termination Damages, if any, shall be made by the defaulting Party to the non-defaulting Party within five (5) days after calculation of such Termination Damages and receipt of a notice including such calculation of the amounts owed hereunder and a written statement showing in reasonable detail the calculation and a summary of the method used to determine such amounts. Upon the reasonable request of the defaulting Party, the non-defaulting Party shall provide reasonable documentation to verify the costs underlying the Termination Damages. If the defaulting Party disputes the non-defaulting Party's calculation of the Termination Damages, in whole or in part, the defaulting Party shall, within five (5) days of

receipt of the non-defaulting Party's calculation of the Termination Damages, provide to the non-defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that, the defaulting Party shall first pay the Termination Damages, if any, to the non-defaulting Party in accordance with the preceding sentence, and the non-defaulting Party shall then deposit such disputed amount into an interest bearing bankruptcy-remote escrow account for the benefit of the prevailing Party and the dispute shall be resolved in accordance with Section 15.2.

(d) Notwithstanding any other provision of this Agreement, the cure of any default or failure to comply with, observe or perform any covenant, warranty or obligation under this Agreement within the period provided therefor in this Article shall not release such defaulting Party from its obligations under Section 9.2 of this Agreement.

(e) Upon termination the Buyer shall, and upon the occurrence of an Event of Default by Seller, the Buyer shall have the right to, immediately notify the ISO that (i) the assignment from the Buyer to Seller of the Ownership Share has been terminated, (ii) the Load Asset(s) shall be removed from Seller's account and placed in the account of the Buyer and (iii) Seller consents to such action. In the event the Buyer so notifies the ISO, Seller shall immediately take any and all actions that may be required by the ISO to remove the Load Asset from Seller's account and place it in the account of the Buyer. If the Agreement and any Transactions have not been terminated, the Buyer, in its sole discretion with five (5) Business Days prior notice to Seller, may elect to assign the Ownership Share of the Load Asset(s) set forth in the associated Confirmation(s) to the account of Seller and Seller shall accept such assignment, consistent with the actions required by Section 6.4 of this Master Power Agreement.

Section 7.3 Security

The Parties will agree upon the amount of credit support applicable to each Transaction, the terms of which shall be set forth in each Confirmation and which shall be subject to this Section, provided however, the Buyer reserves the right to determine the forms of credit support and the amounts associated therewith that Seller is required to provide Buyer under this Article 7. With respect to each Transaction, within five (5) Business Days after execution of the related Confirmation, Seller shall provide such credit support in accordance with this Section 7.3 and as further described in the Confirmation.

(a) Seller, at all times during the term of a Transaction, shall either (i) maintain (A) a Credit Rating at least equal to Investment Grade and (B) a Net Worth at least equal to _____ (the "Credit Requirements") or (ii) provide security in accordance with Section 7.3(b). Prior to the Commencement Date of each Transaction and at any time during the term of any Transaction, 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) to meet Credit Requirements, or of being placed by S&P or Moody's on credit watch, under review for a downgrade or with negative implications.

(b) If, at any time during the term of a Transaction, Seller fails to meet the Credit

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

Section 7.4 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 8. NOTICES, REPRESENTATIVES OF THE PARTIES

Section 8.1 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:

Director, Electric Supply & Distributed Generation
National Grid
100 East Old Country Road
Hicksville, NY 11801
(516) 545-3282 (phone)
(516) 545-3130 (fax)

and

Notices concerning Article 7 shall also be sent to:

General Counsel
National Grid
201 Jones Road
Waltham, MA 02451
(781) 907-1600 (phone)
(781) 907-1647 (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 8.2 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 17.

ARTICLE 9. LIABILITY; INDEMNIFICATION; RELATIONSHIP OF PARTIES

Section 9.1 Limitation on Consequential, Incidental and Indirect Damages

EXCEPT AS EXPRESSLY PROVIDED IN SECTION 9.2, 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 SECTION 15.2 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 9.2 Indemnification

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

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

by an act of gross negligence or willful misconduct by an officer, director, agent, employee or Affiliate of Seller or its respective successors or assigns.

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

Section 9.3 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 Requirements for Standard Offer Service.

ARTICLE 10. ASSIGNMENT

Section 10.1 General Prohibition Against Assignments

Except as provided in Section 10.2, 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 10.2 Exceptions to Prohibition Against Assignments

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

(b) The Buyer may assign all or a portion of its rights and obligations under this Agreement to any Affiliate of the Buyer without consent of Seller. Either Party may, upon written notice, assign its rights and obligations hereunder, or transfer such rights and obligations by operation of law, to any entity with which or into which such Party shall merge or consolidate or to which such Party shall transfer all or substantially all of its assets, provided that such other entity agrees to be bound by the terms hereof and provided further, that such other entity's creditworthiness is comparable to or higher than that of such Party at the time this Agreement

was executed and such Party is not relieved of any obligation or liability hereunder as a result of such assignment

ARTICLE 11. 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 12. FORCE MAJEURE

(a) Force Majeure shall include but not be limited to acts of God, earthquakes, fires, floods, storms, strikes, labor disputes, riots, insurrections, acts of war (whether declared or otherwise), terrorism, acts of terrorism, acts of governmental, regulatory or judicial bodies, but if and only to the extent that such event or circumstance (i) directly affects the availability of the transmission or distribution facilities of the New England Transmission System, the Buyer or an Affiliate of the Buyer necessary to provide service to the Buyer's customers which are taking service pursuant to the Standard Offer Service Tariff and (ii) it is not within the reasonable control of, or the result of the negligence of, the claiming Party, and which, by the exercise of due diligence, the claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (A) fluctuations in Standard Offer Service, (B) the cost to a Party to overcome or avoid, or cause to be avoided, the event or circumstance affecting such Party's performance or (C) events affecting the availability or cost of operating any generating facility.

(b) To the extent that either Party is prevented by Force Majeure from carrying out, in whole or in part, its obligations hereunder and (i) such Party gives notice and detail of the Force Majeure to the other Party as soon as practicable after the onset of the Force Majeure, including an estimate of its expected duration and the probable impact on the performance of its obligations hereunder; (ii) the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure, and (iii) the Party claiming Force Majeure uses commercially reasonable efforts to remedy or remove the inability to perform caused by Force Majeure, then the affected Party shall be excused from the performance of its obligations prevented by Force Majeure. However, neither Party shall be required to pay for any obligation the performance of which is excused by Force Majeure. This paragraph shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party involved in the dispute.

(c) No obligations of either Party which arose before the Force Majeure occurrence causing the suspension of performance shall be excused as a result of the event of Force Majeure.

(d) Prior to the resumption of performance suspended as a result of a Force Majeure occurrence, the Party claiming the Force Majeure shall give the other Party written notice of such resumption.

ARTICLE 13. 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 14. 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 not to make or support such a filing or request, and 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 14(c) then, without further action of either Party, Article 14(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 14 is intended to modify any Party's right to enforce the terms of this Agreement as written.

ARTICLE 15. INTERPRETATION, DISPUTE RESOLUTION

Section 15.1 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 15.2 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 and have at least two (2) years experience 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. If a panel of arbitrators, all of their decisions shall be by majority vote. 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 15.3. 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 right or remedy it has under this Agreement, including those in Article 7. 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 15.3 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, County of Providence (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 16. 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 17. 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 18. ENTIRE AGREEMENT

This Master Power Agreement, including the Appendices, any Confirmations relating to specific Transactions, 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 and specifically excludes written agreements executed by the Parties prior to the Effective Date.

ARTICLE 19. 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 20. 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 21. REPRESENTATIONS; WARRANTIES AND COVENANTS

Each Party represents to the other Parties, 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 Master Power Agreement and any and all Confirmations related to Transactions and to consummate and perform the transactions contemplated hereby. This Master Power Agreement has been, and any Confirmation will be, duly and validly executed and delivered by it, and, assuming that this Master Power Agreement, together with any and all Confirmations, constitutes a valid and binding agreement of the other Parties, constitute together 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 Master Power Agreement or any and all Confirmations related to a Transaction by it or the performance by it of its obligations hereunder and thereunder, 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 Master Power Agreement or any and all Confirmations by it, nor the performance by it of its obligations under this Master Power Agreement and any and all Confirmations related to Transactions, 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) With respect to Seller, (i) it and the ISO have fully executed a Market Participant Service Agreement (“Seller’s MPSA”), and it has been approved by the Commission in accordance with Subsection 7.1 of the MPSA with the ISO and (ii) the ISO has not filed with the Commission a notice of termination of Seller’s MPSA.

(i) It is acting for its own account, has made its own independent decision to enter into this Master Power Agreement and any and all Confirmations related to a Transaction and as to whether this Master Power Agreement and any such Confirmation 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 Master Power Agreement and any such Confirmation or Transaction.

ARTICLE 22. CONSENTS AND APPROVALS

The Parties shall cooperate so that each Party may take such actions as necessary and required for the other Party to effectuate and comply with this Agreement including to (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications,

notices, petitions and filings and execute all agreements and documents, and (iii) use all commercially reasonable efforts to obtain all necessary consents, approvals and authorizations of all other entities, in the case of each of the foregoing clauses (i), (ii) and (iii), necessary or advisable to consummate the transactions contemplated by this Agreement. The Buyer shall have the right to review and approve in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing, press release or public announcement made in connection with the transactions contemplated hereby.

ARTICLE 23. CONFIDENTIALITY

Neither Seller nor the Buyer shall provide copies of or disclose the contents or terms of Section 5.2(b), Article 7 and Appendix C [BIDDERS: Insert additional sections] of the Master Power Agreement, (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, or governmental authority with jurisdictional interest, requesting and/or requiring such Confidential Terms, or in order to comply with any applicable law, regulation, or any exchange, control area or independent system operator rule or in connection with any court or regulatory proceeding, provided that in the case of a disclosure pursuant to the foregoing, 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 Master Power Agreement on their behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY

Name (print): _____
Title: _____

[COMPANY]

Name (print): _____
Title: _____

APPENDIX A **ESTIMATION OF SELLER HOURLY LOADS**

Overview

Generating units operated by suppliers are dispatched by the power pool to meet the region's electrical requirements reliably, and at the lowest possible cost. As a result, a supplier's electricity production may not match the demand of its customers. In each hour some suppliers with low cost production units or that contract for the output of such units are net sellers of electricity to the pool, while other suppliers are purchasing power from the pool to meet the demand of their customers. To determine the extent to which suppliers are net buyers or sellers on an hourly basis, it is necessary to estimate the hourly aggregate demand for all of the customers served by each supplier. The Buyer will estimate Seller's Standard Offer Service load obligations within the Buyer's service territory and report the hourly results to the ISO on a daily basis.

The estimation process is a cost-effective approach to producing results that are reliable, unbiased and reasonably accurate. The hourly load estimates will be based on rate class load profiles, which will be developed from statistically designed samples. Each day, the class load shapes will be scaled to the population of customers served by each supplier. In cases where telemetered data on individual customers is available, it will be used in place of the estimated shapes. On a monthly basis, the estimates will be refined by incorporating actual usage data obtained from meter readings. In both processes, the sum of all suppliers' estimated loads will match the total load delivered into the distribution system. A description of the estimation process follows.

Daily Estimation of Suppliers' Own Load

The daily process estimates the hourly load for each supplier for the previous day. The following is an outline of this process:

- Select a proxy date from the previous year with characteristics which best match the day for which the hourly demand estimates are being produced. Extract class load shapes for the selected proxy date from the load research database.
- Scale the class load shapes appropriately for each individual customer based on the usage level of the customer relative to the class average usage level.
- Calculate a factor for each customer which reflects their relative usage level and includes an adjustment for losses ("load adjustment factor"). Aggregate the load adjustment factors across the customers served by each supplier in each class.
- Produce a preliminary estimate of each supplier's hourly loads by combining the proxy day class load shapes with the supplier's total load adjustment factors. Aggregate the loads across the classes for each supplier.

- Adjust the preliminary hourly supplier estimates so that their sum is equal to the Buyer's actual hourly metered loads (as metered at the point of delivery to the distribution system) by allocating any differences to suppliers in proportion to their estimated load.
- Adjust the hourly supplier estimates to include transmission losses within the Buyer's transmission system.
- Submit the hourly loads to the ISO.

After the Buyer has submitted the supplier hourly loads, the ISO will allocate PTF losses to the supplier's account during the settlement process.

Monthly Reconciliation Process

The monthly process will improve the estimates of supplier loads by incorporating the most recent customer usage information, which will be available after the monthly meter readings are processed. The actual customer meter readings, as well as actual interval data for the largest customers, are used to re-estimate all of the days in the calendar month being reconciled. Updates to customers' account status and supplier assignments that may have been missed during the daily processing (due to timing) are included. The resulting hourly supplier load estimates for all the days in the month are reported and used by the ISO as the basis for the monthly resettlement.

**APPENDIX B
MASTER POWER AGREEMENT
FORM OF CONFIRMATION**

This Confirmation shall confirm the Transaction agreed to on, and effective as of _____ between **THE NARRAGANSETT ELECTRIC COMPANY**, a Rhode Island corporation (“Buyer”) and [Company], a [what] (“Seller”) regarding the sale/purchase of Standard Offer Service specified herein under the terms and conditions under the Master Power Agreement, dated [] (the “Master Power Agreement”) between Buyer and Seller, as specified and modified herein. Terms used but not defined herein shall have the meanings ascribed to them in the Master Power Agreement.

1. Standard Offer Service Requirements Matrix

Award Block	Customer Group	Load Zone	Load Responsibility	Commencement Date	Conclusion Date
TBD	TBD	TBD	TBD	TBD	TBD

2. Contract Rate - \$/MWh

Award Block	Customer Group	Load Zone	Month1	Month2	Month3	Month4	Month5	Month6
TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

3. Load Asset Designation within the ISO Settlement Market System

Award Block	Customer Group	Load Zone	Load Asset Number	Load Asset Name
TBD	TBD	TBD	TBD	TBD

4. RES Requirement

RES Requirement shall mean, for each calendar month during the term of this Transaction, zero.

Or

RES Requirement shall mean, for each calendar month during the term of this Transaction the product of (i) Delivered Energy in a calendar month for Standard Offer Service in calendar year 200X and (ii) 0.XX, rounded up to the whole MWh of which up to two percent (2.0%) may come from Existing Renewable Energy Resources.

5. Amount Payable

The amount payable by the Buyer to Seller in a month shall be:

- (i) The product of (a) the Delivered Energy for Standard Offer Service to the Small Commercial and Residential Customer Group in a month and (b) Small Commercial and Residential Contract Rate in the month plus,
- (ii) The product of (c) the Delivered Energy for Standard Offer Service to the Large Commercial and Industrial Customer Group in a month and (d) Large Commercial and Industrial Contract Rate in the month plus,
- (iii) The product of (a) the number of New Renewable Energy Resource NEPOOL-GIS Certificates and Existing Renewable Energy Resource NEPOOL-GIS Certificates delivered in the month, not to exceed the Aggregate RES Requirement and (b) the applicable Alternative Compliance Payment Rate less,
- (iv) The product of (a) the RES Requirement and (b) the applicable Alternative Compliance Payment Rate.

6. Modifications to the Master Power Agreement

[To be determined for each Transaction]

7. Security

The amount of credit support for this transaction is XXX MILLION UNITED STATES DOLLARS (\$US XXX,000,000.00)

Within five (5) Business Days after the execution of this Confirmation, Seller shall provide credit support in accordance with Section 7.3 of the Master Power Agreement, and in any of the forms specified in Section 7.3(b) of the Master Power Agreement.

8. Confidentiality

Articles 1, 2, 3 [additional articles to be determined for each Transaction] of this Confirmation are Confidential Terms within the meaning of Article 23 of the Master Power Agreement.

9. Ratification of the Terms and Conditions of the Agreement

(a) Except as expressly amended or waived by this Confirmation, the terms, conditions, covenants, agreements, warranties and representations contained in the Master Power Agreement are in all respects ratified, confirmed and remade as of the date hereof and, except as amended or waived hereby, shall continue in full force and effect.

(b) Nothing in this Confirmation shall, or shall be construed to, alter or amend any other Confirmation.

10. Counterparts

This Confirmation may be executed in counterparts, all of which together shall constitute one and the same instrument.

This Confirmation constitutes part of and is subject to the terms and provisions of such Master Power Agreement.

Remainder of Page Intentionally Left Blank

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

THE NARRAGANSETT ELECTRIC COMPANY

Name (print): _____
Title: _____

[COMPANY]

Name (print): _____
Title: _____

**APPENDIX C
FORM OF GUARANTY**

Guaranty

This Guaranty (this "Guaranty"), dated effective as of [__], 2009 (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 that certain Confirmation, dated _____ (the "Confirmation"), under the Master Power Agreement, dated [_____] , (collectively with the Confirmation, as the foregoing and the terms therein and the obligations and liabilities thereunder may from time to time and without notice to or consent of the Guarantor, and without impairing or releasing the obligations of the Guarantor, be amended, modified, revised, supplemented or waived by Buyer and Seller, 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, but in no event shall Guarantor be subject hereunder to consequential, exemplary, equitable, loss of profits, punitive or tort damages, or, except to the extent specifically provided in the Agreement, any other damages.
- 2) **DEMANDS AND NOTICE**. Upon the occurrence and during the continuance of an Event of Default or termination, as may be defined in the Agreement, if Seller fails or refuses to perform or pay any Obligations and the Buyer elects to exercise its rights under this Guaranty, the Buyer shall make a demand upon Guarantor (hereinafter referred to as a "Demand"). A Demand shall be in writing and shall reasonably and briefly specify in what manner and what amount Seller has failed to perform or pay and an explanation of why such performance or payment is due, with a specific statement that the Buyer is calling upon Guarantor to perform and/or pay under this Guaranty. A Demand satisfying the foregoing requirements shall be required with respect to Obligations before Guarantor is required to perform or pay (free of any deductions or withholdings) such Obligations hereunder and shall be deemed sufficient notice to Guarantor that it must perform the Obligations within two (2) Business Days, or pay the Obligations within five (5) Business Days, after its receipt

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

3) REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants that:

(a) it is a corporation duly organized and validly existing and in good standing under the laws of the State of [] and has the corporate power and authority to execute, deliver and carry out the terms and provisions of the Guaranty;

(b) the execution, delivery and performance of this Guaranty and each transaction contemplated by this Guaranty, do not and will not (with or without the lapse of time, the giving of notice or both, contravene, conflict with or result in a breach of or default under any provision of its constitution or any writ, order, judgment, law, rule or regulation to which it is a party or is subject or by which it is bound; and

(c) no authorization, approval, consent or order of, or registration or filing with, any court or other governmental body having jurisdiction over Guarantor is required on the part of Guarantor for the execution and delivery of this Guaranty; and

(d) this Guaranty, when executed and delivered, will constitute a valid and legally binding agreement of Guarantor, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

4) SETOFFS AND COUNTERCLAIMS. Without limiting Guarantor's own defenses and rights hereunder, Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which Seller or any other affiliate of Guarantor is or may be entitled to arising from or out of the Agreement or otherwise, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of Seller, the lack of power or authority of Seller to enter into, amend and/or perform the Agreement, or waiver or consent with respect to any provision thereof, or a claim as to the Agreement's validity regularity or enforceability, or any similar circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor generally.

5) AMENDMENT OF GUARANTY. No term or provision of this Guaranty shall be amended, modified, altered, waived or supplemented except in a writing signed by Guarantor and the Buyer.

6) WAIVER; TERMINATION. Except as required in Section 2 above, Guarantor hereby waives (a) notice of acceptance of this Guaranty; (b) presentment, demand and notice of dishonor concerning the liabilities of Guarantor; and (c) any right to require that any action or proceeding be brought against Seller or any other person, or to require that the Buyer exhaust its remedies against Seller or seek enforcement of any performance against Seller or any other person, or against any collateral pledged by Seller or any other person liable for payment or performance of the Obligations, prior to any action against Guarantor under the terms hereof. Buyer shall not be obligated

to file any claim relating to the Obligations in the event that Seller becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Buyer to so file shall not affect the Guarantor's obligations hereunder.

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

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

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

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

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

To the Buyer:

Director, Electric Supply &
Distributed Generation
National Grid
100 East Old Country Road
Hicksville, NY 11801

(516) 545-3282 (phone)
(516) 545-3130 (fax)

To Guarantor:

Fax No.:
Phone No.:

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

in accordance with the requirements of this Section.

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

This Guaranty shall be binding upon Guarantor and its successors and permitted assigns and inure to the benefit of and be enforceable by the Buyer and its successors and permitted assigns. The Guarantor may not assign this Guaranty in part or in whole without the prior written consent of the Buyer. The Buyer may not assign its rights or benefits under this Guaranty in part or in whole except (i) with the prior written consent of the Guarantor, or (ii) pursuant to a permitted assignment of Agreement (“Assigned Agreement”), in which case the assignee will succeed to the rights of the Buyer hereunder arising after the date of such assignment. 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.

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**IN WITNESS WHEREOF, the Guarantor has executed this Guaranty on _____,
2009, but it is effective as of the Effective Date.**

[GUARANTOR]

Name (print): _____
Title: _____

**NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4041
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: ALAN P. SMITHLING**

Schedule APS-2 (Revised)
Narragansett Wholesale Loads

NARRAGANSETT WHOLESALE LOADS
(GWHS)

Narragansett Wholesale Load (GWhs)			
	2007	2008	
Forecast for 2010 = Average 2007-08			
			Class Group SOS CPS
Standard Offer Service	6,983	6,869	G62, G32 Large C&I and C&I > 200kW 1,964 896
Last Resort Service	250	258	G02 General Demand 1,324 159 Large Customers 3,288 1,055
Competitive Suppliers (CPS)	1,131	1,147	C06, S Small General, Light 605 79 A16 Residential 3,287 6
Total	8,364	8,274	Small Customers 3,892 84 Total Load 7,180 1,139

Forecasted numbers are illustrative.

**NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4041
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: ALAN P. SMITHLING**

Schedule APS-3
Timing of Other Utility RFP Bid Blocks

**NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4041
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: ALAN P. SMITHLING**

Schedule APS-4 (Revised)
Accelerated Procurement Plan and Schedule

Example: Interaction of FRS and Financial Contracts

Expected FRS Bid Prices for Narragansett

A) Forward Market Prices at time of Awarding Financial Swap Contract

Example has prices as of : **April 6 2009**

			Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Wgtd Avg
(A)	Electric Futures Price (\$/MWh)	On-Peak	72.83	72.83	59.63	59.63	54.80	58.58	67.88	67.88	57.70	
		Off-Peak	61.35	61.35	46.95	46.95	43.00	44.00	49.38	49.38	44.75	
(B)	Premium Bid Factor	Small	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	
(C)	FCM Price (\$/kw)	Capacity	4.10	4.10	4.10	4.10	4.10	4.50	4.50	4.50	4.50	
(D)	Ancillary Price (\$/MWh)	All Zones	2.04	2.040	2.040	2.040	2.040	2.040	2.040	2.040	2.040	
(E)	On-Peak Days #		20	20	23	22	20	22	21	22	21	
(F)	ICAP Load Factor		45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	
(G)	Monthly On-Peak Factor	Small	45.91%	50.85%	51.95%	52.21%	45.98%	53.24%	51.57%	52.15%	49.93%	
(H)	Expected FRS Bid Price (\$/MWh)	Small	89.91	92.08	75.28	76.03	69.91	75.82	83.94	83.47	74.93	80.78
(I)	Estimated Load (MWh)	On-Peak	161,684	161,684	162,695	133,389	121,263	181,558	208,674	218,611	145,011	
		Off-Peak	187,453	155,621	150,400	123,958	142,821	158,821	201,853	193,937	141,474	

B) Forward Market Prices on FRS Award/Swap Settlement Date have Increased by 10% above Award prices

			Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Wgtd Avg
(A)	Electric Futures Price (\$/MWh)	On-Peak	80.11	80.11	65.59	65.59	60.28	64.44	74.67	74.67	63.47	
		Off-Peak	67.49	67.49	51.65	51.65	47.30	48.40	54.32	54.32	49.23	
(B)	Premium Bid Factor	Small	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	
(C)	FCM Price (\$/kw)	Capacity	4.10	4.10	4.10	4.10	4.10	4.50	4.50	4.50	4.50	
(D)	Ancillary Price (\$/MWh)	All Zones	2.04	2.040	2.040	2.040	2.040	2.040	2.040	2.040	2.040	
(E)	On-Peak Days #		20	20	23	22	20	22	21	22	21	
(F)	ICAP Load Factor		45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	
(G)	Monthly On-Peak Factor	Small	45.91%	50.85%	51.95%	52.21%	45.98%	53.24%	51.57%	52.15%	49.93%	
(H)	Expected FRS Bid Price (\$/MWh)	Small	97.23	99.47	81.17	81.93	75.24	81.51	90.42	89.96	80.56	87.07
(I)	Estimated Load (MWh)	On-Peak	161,684	161,684	162,695	133,389	121,263	181,558	208,674	218,611	145,011	
		Off-Peak	187,453	155,621	150,400	123,958	142,821	158,821	201,853	193,937	141,474	
(J)	Estimated Hedge Settlement (\$s)	95% of Estimated Load Hedged	(2,211,190)	(2,025,667)	(1,592,463)	(1,308,515)	(1,214,720)	(1,674,260)	(2,292,564)	(2,319,509)	(1,396,315)	
(K)	Estimated FRS Costs (\$s)		33,947,787	31,561,842	25,414,684	21,083,773	19,869,348	27,745,634	37,121,007	37,113,774	23,079,622	
(L)	Total Costs		31,736,597	29,536,175	23,822,221	19,775,258	18,654,628	26,071,374	34,828,443	34,794,265	21,683,307	
(M)	Estimated Monthly FRS Cost (\$/MWh)		90.90	93.08	76.09	76.84	70.64	76.60	84.84	84.34	75.69	81.64

Calculation

$$\begin{aligned} \text{OnPeak} &= (A + D + ((C * 1000 / G) / (F * 16))) * H \\ \text{OffPeak} &= ((A + D) * (1 - H)) \\ \text{Bid Price (I)} &= (\text{OnPeak} + \text{OffPeak}) * B \\ \text{Hedge \%} &= 95\% \end{aligned}$$

Illustrative Example of the Financial Swap

Award Financial Swap

(Mkt prices, previous day COB)

Month	OnPeak Futures (\$/MWh)	OffPeak Futures (\$/MWh)	Estimated Load Capacity (MW)	
			OnPeak	OffPeak
Jan-10	72.83	61.35	161,684	187,453
Feb-10	72.83	61.35	161,684	155,621
Mar-10	59.63	46.95	162,695	150,400
Apr-10	59.63	46.95	133,389	123,958
May-10	54.80	43.00	121,263	142,821
Jun-10	58.58	44.00	181,558	158,821
Jul-10	67.88	49.38	208,674	201,853
Aug-10	67.88	49.38	218,611	193,937
Sep-10	57.70	44.75	145,011	141,474
Average	63.53	49.68	1,494,568	1,456,337

Financial Swap									
Days in Month	OnPeak Days in Month	Capacity (MW)		Energy (MWhs)		Contract Value Locked in w/Swap			
		OnPeak	OffPeak	OnPeak	OffPeak	\$			
31	20	480	420	153,600	178,080	22,111,896			
28	20	480	420	153,600	147,840	20,256,672			
31	23	420	380	154,560	142,880	15,924,629			
30	22	360	320	126,720	117,760	13,085,146			
31	20	360	320	115,200	135,680	12,147,200			
30	22	490	410	172,480	150,880	16,742,598			
31	21	590	470	198,240	191,760	22,925,640			
31	22	590	470	207,680	184,240	23,195,090			
30	21	410	350	137,760	134,400	13,963,152			
Total				1,419,840	1,383,520	160,352,022			
				95%	95%				

On FRS Bid Award Date

(Prices as of COB previous day)

Month	OnPeak Futures (\$/MWh)	OffPeak Futures (\$/MWh)	Estimated Load Capacity (MW)	
			OnPeak	OffPeak
Jan-10	80.11	67.49	161,684	187,453
Feb-10	80.11	67.49	161,684	155,621
Mar-10	65.59	51.65	162,695	150,400
Apr-10	65.59	51.65	133,389	123,958
May-10	60.28	47.30	121,263	142,821
Jun-10	64.44	48.40	181,558	158,821
Jul-10	74.67	54.32	208,674	201,853
Aug-10	74.67	54.32	218,611	193,937
Sep-10	63.47	49.23	145,011	141,474
Average	69.88	54.65		

Settle Financial Swap Contract

Financial Swap									
Days in Month	OnPeak Days in Month	Capacity (MW)		Energy (MWhs)		Sold Contract Value			
		OnPeak	OffPeak	OnPeak	OffPeak	\$			
31	20	480	420	153,600	178,080	24,323,086			
28	20	480	420	153,600	147,840	22,282,339			
31	23	420	380	154,560	142,880	17,517,092			
30	22	360	320	126,720	117,760	14,393,660			
31	20	360	320	115,200	135,680	13,361,920			
30	22	490	410	172,480	150,880	18,416,858			
31	21	590	470	198,240	191,760	25,218,204			
31	22	590	470	207,680	184,240	25,514,599			
30	21	410	350	137,760	134,400	15,359,467			
Total				1,419,840	1,383,520	176,387,225			

16,035,202

**NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4041
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: JEANNE A. LLOYD**

**(REVISED)
DIRECT TESTIMONY

OF

JEANNE A. LLOYD**

Table of Contents

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III. Standard Offer Service Rate Proposal3

IV. Conclusion10

1 **I. Introduction and Qualifications**

2 Q. Please state your full name and business address.

3 A. My name is Jeanne A. Lloyd, and my business address is 201 Jones Road, Waltham,
4 Massachusetts 02451.

5

6 Q. Please state your position.

7 A. I am the Manager of Electric Pricing, New England in Regulation and Pricing's
8 Electricity Distribution and Generation group of National Grid USA Service Company,
9 Inc. This group provides rate-related support to The Narragansett Electric Company
10 d/b/a National Grid ("National Grid" or "Company").

11

12 Q. Please describe your educational background and training.

13 A. In 1980, I graduated from Bradley University in Peoria, Illinois with a Bachelor's Degree
14 in English. In December 1982, I received a Master of Arts Degree in Economics from
15 Northern Illinois University in De Kalb, Illinois.

16

17 Q. Please describe your professional experience?

18 A. I was employed by EUA Service Corporation in December 1990 as an Analyst in the
19 Rate Department. I was promoted to Senior Rate Analyst on January 1, 1993. My
20 responsibilities included the study, analysis and design of the retail electric service rates,
21 rate riders and special contracts for the EUA retail companies. After the merger of New
22 England Electric System and Eastern Utilities Associates in April 2000, I joined the

1 Distribution Regulatory Services Department as a Principal Financial Analyst. I
2 assumed my present position October 1, 2006. Prior to my employment at EUA, I was
3 on the staff of the Missouri Public Service Commission in Jefferson City, Missouri in the
4 position of research economist. My responsibilities included presenting both written and
5 oral testimony before the Missouri Commission in the areas of cost of service and rate
6 design for electric and natural gas rate proceedings.

7
8 Q. Have you previously testified before Rhode Island Public Utilities Commission
9 ("Commission")?

10 A. Yes.

11
12 **II. Purpose of Testimony**

13 Q. What is the purpose of the Company's filing?

14 A. The purpose of my testimony is to request Commission approval of the Company's
15 proposed Standard Offer Service ("SOS") tariff, R.I.P.U.C. No. 2012, which has been
16 revised to be consistent with the Standard Offer supply procurement plan ("the Plan") as
17 described in the testimony of Mr. Smithling. I will also present the Company's proposal
18 to transition all Last Resort Service ("LRS") customers to SOS. Finally, I will discuss
19 the customer and rate aspects stemming from the proposed Plan.

20

21

1 **III. Standard Offer Service Rate Proposal**

2 Q. Who is eligible for SOS?

3 A. Pursuant to the provisions of the proposed SOS tariff, beginning January 1, 2010, all
4 customers will be eligible for SOS, including 1) new customers; 2) customers presently
5 receiving SOS; 3) customers presently receiving Last Resort Service; and 4) customers
6 previously taking service from a competitive supplier who, for any reason, have stopped
7 receiving service from that supplier.

8
9 Q. Will customers receiving SOS be required to remain on the service for a specified length
10 of time?

11 A. No. Customers will be able to initiate or terminate SOS at any time with no specified
12 term of service.

13
14 Q. Will the Company charge a fee for switching from SOS to competitive supply or back?

15 A. No. There will be no fee for initiating or terminating SOS.

16
17 Q. You stated that customers currently receiving LRS would begin receiving SOS effective
18 January 1, 2010. Has the Company considered the statutory requirements of LRS in
19 proposing this change?

20 A. Yes. The provision of LRS is governed by R.I.G.L. § 39-1-27.3. Section (c) of the statute
21 requires that, "In recognition that electricity is an essential service, each electric distribution

1 company shall arrange for a last resort power supply for customers who have left the standard
2 offer for any reason and are not otherwise receiving electric service from nonregulated power
3 producers”.

4
5 The statute further provides that the Company procure LRS supply from wholesale power
6 suppliers and that, prior to acquiring last resort supply, the Company file with the
7 Commission a supply acquisition plan or plans that include the acquisition procedure, the
8 pricing options being sought, and a proposed term of service for which LRS will be acquired.
9 The acquisition plan is subject to Commission review and approval and, once an acquisition
10 plan is approved by the Commission, the Company is authorized to acquire LRS supply
11 consistent with the approved acquisition plan and recover its costs incurred from providing
12 LRS pursuant to the approved acquisition plan. The Commission may periodically review
13 the acquisition plan to determine whether it should be prospectively modified due to changed
14 market conditions and shall have the authority and discretion to approve special tariff
15 conditions and rates proposed by the Company that the Commission finds are in the public
16 interest, including without limitation: (1) short and long term optional service at different
17 rates; (2) term commitments or notice provisions before individual customers leave LRS; (3)
18 LRS rates for residential or any other special class of customers that are different than the
19 rates for other LRS customers; and/or (4) LRS rates that are designed to encourage any class
20 of customers to return to the market.

21

1 The statute also provides that the Company's LRS revenues and expenses shall be accounted
2 for and reconciled with interest on an annual basis and any over recoveries shall be refunded
3 and any under recoveries shall be recovered by the Company through a uniform adjustment
4 factor approved by the Commission. As with SOS, the Commission shall have the discretion
5 to apply such adjustment factor in any given instance to all customers or to such specific
6 class of customers that the Commission deems equitable under the circumstances provided
7 that the Company recovers any under recovery in its entirety.

8
9 Q. Does the Company's proposed SOS tariff satisfy the requirements of R.I.G.L. § 39-1-27.3
10 regarding LRS?

11 A. Yes. The Company's proposed SOS complies with all of the requirements of R.I.G.L. § 39-
12 1-27.3 for providing LRS.

13
14 Q. How will LRS customers be transitioned to SOS?

15 A. Effective January 1, 2010, the provision of LRS will terminate and all LRS customers
16 will be immediately transitioned to SOS. Because SOS will be effective for consumption
17 on and after January 1, 2010, most customers' bills received during the billing period
18 following the effective date will reflect charges for service for both LRS and the new
19 SOS. This will appear on a customer's bill as a blended rate, reflecting the prices for
20 LRS for kilowatt-hours consumed prior to January 1 and SOS prices for kilowatt-hours
21 consumed after January 1.

22

1 Q. How will the Company be communicating the change in how it procures and prices
2 commodity service to its customers?

3 A. The Company is in the process of developing a customer information plan to
4 communicate the new provisions of SOS to customers. Once the Company has received
5 final approval of the Plan from the Commission, the Company will finalize the customer
6 information plan and submit the details to the Commission prior to initiating customer
7 communications.

8
9 Q. What will be the monthly charge for SOS?

10 A. For the large commercial and industrial (“C&I”) class, representing customers on Rates
11 G-02 (General C&I), G-32 (200 kW Demand Rate), G-62 (3,000kW Demand Rate),
12 Backup Service Rates B-32 and B-62 and Electric Propulsion Rate X-01, the SOS rate
13 will vary monthly and will be based on the actual monthly prices contained in the supply
14 contracts. For the Small Customer class, representing customers on Rates A-16 (Basic
15 Residential Rate), A-60 (Low Income Rate), C-06 (Small C&I Rate), S-10 (Limited
16 Service – Private Lighting) and S-14 (General Street Lighting Service), the SOS rate will
17 be fixed, initially for the nine month period of January 1, 2010 through September 30,
18 2010, and for six month periods thereafter. The rates will reflect the weighted average of
19 the monthly prices contained in the supply contracts for the applicable period, plus any
20 credits or charges resulting from the Company’s financial hedging activities. All
21 customers receiving SOS will be subject to a Renewable Energy Standard charge

1 pursuant to the proposed Standard Offer Service rates, R.I.P.U.C. No. 2012, and the
2 Commission's Rules Governing the Implementation of a Renewable Energy Standard.
3 Monthly rates for each rate class will be listed on an SOS tariff supplement which will be
4 updated with each supply procurement results filing.

5
6 In addition, Small Customers, whose rates reflect a weighted average of the monthly
7 contract prices for each pricing period, will be subject to a billing adjustment when
8 terminating SOS to take service from a competitive supplier. Specifically, the billing
9 adjustment shall be based on the difference between the SOS rate in effect for the current
10 pricing period and the actual monthly contract rates for the same period, multiplied by the
11 Customer's kilowatt-hour usage during the same period. The billing adjustment can be
12 either a charge or a credit.

13
14 Q. What is the purpose of the billing adjustment described above?

15 A. The billing adjustment will ensure that customers pay the actual cost of the service that
16 they are receiving and will also mitigate the potential for under or over recovering SOS
17 as customers leave SOS to take commodity service from competitive suppliers.

18 Customers who leave SOS mid-period after having paid an average rate that was less than
19 the actual monthly rates for the months that the customer was receiving SOS will leave
20 behind an under recovery for other customers to pay. Conversely, customers who paid an
21 average rate that was higher than the monthly rates, will have paid more than the actual

1 cost of the service and will leave an over recovery for the benefit of other customers.

2 Applying the billing adjustment will ensure that customers pay for the actual cost of the
3 service that they have received.

4
5 Q. Please describe the process for filing SOS rate changes.

6 A. As described in the Plan in Section II.D, once the company has received final bids from
7 suppliers for the procurement period and executed final supply contracts, a filing will be
8 made with the Commission to communicate information regarding the contracts awarded
9 and the final bid prices. Included with the filing will be the SOS tariff supplement
10 containing the new retail prices for each rate class for the pricing period. The executed
11 contracts and SOS rates will be filed at least thirty days in advance of the effective date.

12
13 Q. When will SOS rate changes occur?

14 A. As described in the Plan in Section II.C and Attachment 1 and in Mr. Smithling's
15 testimony, the Company plans to conduct supply procurements for SOS every February,
16 May, August and November. Subsequent rate changes will be effective on April 1, July
17 1, October 1 and January 1 for the Large C&I customers and on April 1 and October 1 for
18 the Small Customers.¹

19
20

¹The initial pricing period for the Small Customer class will be for the nine month period of January 1, 2010 through September 30, 2010.

1 Q. How will rate changes be communicated to customers?

2 A. Once the results of the each procurement and the retail rates have been communicated to
3 the Commission, the new rates will be posted on the Company's website and Interactive
4 Voice Response ("IVR") system prior to the effective date of the rate change.

5

6 Q. Is the Company planning to offer a time-of-use pricing option to customers?

7 A. Not at this time. However, the Company intends to develop a pilot program to
8 investigate the potential for time-of-use commodity pricing. The pilot program is
9 currently under development and the Company will file its proposal for a pilot program in
10 a separate filing during 2010.

11

12 Q. How will the costs of SOS be recovered?

13 A. Currently, the recovery of SOS costs is authorized through the Standard Offer
14 Adjustment Provision, R.I.P.U.C. No. 2002. The Company intends to continue its current
15 process of filing its annual reconciliation in November of each year for costs incurred
16 during the prior October through September period. However, because the procurement
17 process for large C&I customers and residential and small C&I customers will be
18 somewhat different, the Company proposes to include separate reconciliations for large
19 C&I customers and residential and small C&I customers, similar to the way LRS is
20 currently reconciled. In each annual filing, the Company will propose the specific
21 method of cost recovery for both classes.

1 Q. How will the proceeds or costs of the financial swap contracts be reflected in the
2 Standard Offer reconciliation?

3 A. The Company will reflect in the Standard Offer reconciliation the charge or credit
4 associated with the financial swap contract in the month that the Company pays or
5 receives payment of the contract settlement amount. Since the rates for the pricing period
6 subsequent to the contract settlement date will be designed to include the settlement
7 amount, the revenues received from customers over that pricing period should collect or
8 refund the entire amount of the lump sum settlement. To the extent that there is a
9 balance, positive or negative, remaining at the end of the pricing period, it will be
10 reflected in the year end Standard Offer reconciliation balance and will be collected from
11 or refunded to customers, with interest, over the subsequent twelve month period, or as
12 otherwise determined by the Commission.

13

14 **IV. Conclusion**

15 Q. Does this conclude your testimony?

16 A. Yes it does.

Index of Revised Schedules

Schedule JAL-1 (REVISED)

Proposed Standard Offer Service Tariff

**NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4041
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: JEANNE A. LLOYD**

Schedule JAL-1 (REVISED)

Proposed Standard Offer Service Tariff

NARRAGANSETT ELECTRIC COMPANY**TARIFF FOR STANDARD OFFER SERVICE****AVAILABILITY**

Standard Offer Service shall be available to all Customers (including new Customers) who have not elected to take their electric supply from a non-regulated power producer or any Customer who, for any reason, has stopped receiving Generation Service from a non-regulated power producer.

MONTHLY CHARGE

The Charge for Standard Offer Service will be the sum of the applicable Standard Offer Service charges in addition to all appropriate Retail Delivery charges as stated in the applicable tariff. The monthly charge for Standard Offer Service shall also include the costs incurred by the Company to comply with the Renewable Energy Standard, established in R.I.G.L. Section 39-26-1 and the costs to comply with the Commission's Rules Governing Energy Source Disclosure.

RATE FOR ALL CLASSES

The Supplemental Schedule to this tariff sets forth the rates for each rate class for the specified period. These rates are subject to change at the end of the period specified in the Supplemental Schedule. The Company will file a new Supplemental Schedule for the next pricing period prior to the expiration of the current period.

The rates for each rate class shall be as follows:

Small Customer (Rates A-16, A-60, C-06, S-10 and S-14). The rates applicable to this class shall be a fixed price that represents a weighted average of the actual monthly contract prices over the period specified in the Supplemental Schedule.

Large Commercial & Industrial (Rates G-02, B-32, G-32, B-62, G-62 and X-01). The rates applicable to this class shall be a fixed monthly price that changes each month and represents the actual monthly contract prices for each month of the period specified in the Supplemental Schedule.

TERMINATION OF STANDARD OFFER SERVICE

Standard Offer Service may be terminated by a Customer upon the next scheduled meter read provided that notice of the change of supplier was received in accordance with the Company's Terms and Conditions for Nonregulated Power Producers.

There shall be no fee for terminating Standard Offer Service.

BILLING ADJUSTMENT WHEN LEAVING STANDARD OFFER SERVICE

Small Customers who leave Standard Offer Service to receive Generation Service from a non-regulated power producer shall be subject to a billing adjustment for the time they were billed under the Standard Offer Service rate during the current pricing period. Specifically, the billing adjustment shall be based on the difference between the Standard Offer Service rate in effect for the current pricing period and the actual monthly contract rates for the same period, multiplied by the Customer's kilowatt-hour usage during the same period. The billing adjustment can be either a charge or a credit.

RATE CHANGES

The rates set forth in this tariff are effective for usage on and after the Effective Date. Any changes will be filed with the Commission and are subject to Commission review and approval.

Effective Date: January 1, 2010

**Legal Notice of National Grid's Filing for
Standard Offer Procurement Plan**

R.I.P.U.C. Docket No. 4041

National Grid filed with the Rhode Island Public Utilities Commission (PUC) on April 29, 2009 its Standard Offer portfolio procurement plan for 2010. National Grid has requested approval of the portfolio procurement plan to become effective on or after January 1, 2010. This plan is submitted in compliance with the provisions of R.I.G.L. §39-1-27.8 and 39-1-27.3. The Company's Plan is designed to procure energy supply to meet the requirements of standard offer customers. The supply procurement plan includes the acquisition procedure, the pricing options being sought, and proposed terms of service for which standard offer service will be acquired.

A copy of the filing is on file for examination at National Grid, 280 Melrose Street, Providence, Rhode Island and at the office of the Public Utilities Commission, 89 Jefferson Blvd., Warwick, Rhode Island. This notice is given pursuant to the PUC's Rules of Practice and Procedure as adopted on May 1, 1998 and Sections 39-3-10, 39-3-11 of the Rhode Island General Laws. The Commission is accessible to the handicapped. Individuals requesting interpreter services for the hearing impaired must contact the Clerk of the Commission seventy-two hours in advance of any hearing.

National Grid