

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
ENERGY FACILITY SITING BOARD

In re The Narragansett Electric Company :  
d/b/a National Grid : Docket No. SB-2008-2  
(Rhode Island Reliability Project) :

STATEMENT OF THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID IN COMPLIANCE WITH  
§42-98-9.1(b) AND EFSB RULE 1.8(h)

A. Introduction

The purpose of this document is to provide a brief overview of the Rhode Island Reliability Project (the “Project”) which has been proposed by The Narragansett Electric Company d/b/a National Grid (“Narragansett”) and to explain, as required by Rhode Island General Laws §42-98-9.1(b), how Narragansett complied with each of the filing requirements of §42-98-8(A) (1) through (A) (6).

B. Description of Project

On September 8, 2008, Narragansett filed an application (the “Application”) with the Energy Facility Siting Board (the “EFSB” or “Board”) pursuant to §42-98-4 which requires a person who proposes to site, construct or alter a major energy facility within the State to first obtain a license from the EFSB. The Application sought approval of the Project which includes the following components:

- Relocate and reconstruct two existing 115 kV transmission lines (S-171 and T-172) in National Grid’s existing ROW between West Farnum Substation in North Smithfield and the vicinity of the Kent County Substation in Warwick (20.0 miles).
- Construct a new 345 kV transmission line (359 Line) between the West Farnum Substation and the Kent County Substation (21.4 miles) in the space on the existing ROW created by relocation of the two existing 115 kV transmission lines.
- Install equipment at Kent County Substation to accommodate the new 345 kV line.
- Install equipment at West Farnum Substation to accommodate the new 345 kV line.
- Reconductor the S-171 and T-172 115 kV transmission lines between Hartford Avenue Substation in Johnston and the Johnston Tap Point (1.3 miles) coincident with the reconstruction of the lines.

- Reconductor the G-185N 115 kV transmission line from Kent County Substation to Drumrock Substation (1.0 mile).
- Relocate short segments of the H-17 115 kV transmission line and the 315 and 332 345 kV transmission lines in the vicinity of West Farnum Substation to accommodate the new 345 kV line.
- Relocate a short segment of the B-23 115 kV transmission line to accommodate equipment additions at the West Farnum Substation.
- Relocate short segments of the L-190 and G-185 115 kV transmission lines to accommodate the equipment additions at the Kent County Substation.

The proposed improvements will significantly reinforce the existing electric transmission system in Rhode Island. The Project will improve the reliability of electric supply to the area by increasing the loading capability of the system and enable Narragansett to maintain acceptable voltages to its customers.

C. Compliance with §42-98-9.1(b)

Section 42-98-9.1(b) requires the EFSB to have at least one public hearing in each town and city affected by an application to construct or alter a major energy facility before holding its own hearings and before taking final action on the application. Additionally, §42-98-9.1(b) requires that the details of acceptance for filing under §42-98-8(A)(1) – (A)(6) be presented at town or city hearings for public comment. Such details are addressed in the Application, in the Environmental Report for the Project (Environmental Report – Rhode Island Reliability Project, Volumes 1 and 2 (September, 2008) (the “ER”)) and in the Visibility and Visual Impact Assessment prepared by Environmental Design and Research, P.C. (“EDR”) (August, 2008) (the “VIA”) and are summarized below.

(1) Proposed Owner of Facility and Affiliates.

The proposed owner of the facility is The Narragansett Electric Company d/b/a National Grid.

Additional details regarding affiliates are contained in §3 of the Application.

(2) Detailed Description of Proposed Facility.

Narragansett was required to provide a detailed description of the proposed facility, including its function and operating characteristics, and complete plans as to all structures, including where applicable, underground construction, transmission facilities, cooling systems, pollution control systems and fuel storage facilities associated with the proposed facility. The proposed facility is described in detail in Chapter 4 of the ER. Project site plans are contained in Figures 2-1, 2-2, 4-1, 4-5, 4-7, 4-9 and 4-10 of the ER.

The right of way between the West Farnum Substation and the Kent County Substation is 21.4 miles long and varies between one hundred seventy (170) feet and three hundred (300) feet in width. The West Farnum Substation is approximately 6.7 acres and the Kent County Substation is approximately 8.5 acres.

The construction schedule is contained in §4.10 of the ER. Narragansett expects the Project to be completed by the summer of 2012.

After completion of construction, the facility will not require the assignment of permanent employees to operate it.

(3) Detailed Description and Analysis of Impact of Proposed Facility.

Narragansett was required to provide a detailed description and analysis of the impact of the proposed facility on the physical and social environment on and off site, together with a detailed description of all environmental characteristics of the proposed site and a summary of all studies prepared and relied upon in connection therewith. In the case of transmission facilities, such description and analysis must include a review of the current independent scientific research pertaining to electromagnetic fields (EMF) and data on the anticipated levels of EMF exposure and potential health risks associated with this exposure.

The environmental characteristics of the Project site are described in §§ 6 (Natural Environment) and 7 (Social Environment) of the ER and the impact of the Project is described in § 8 of the ER. Data regarding the current and anticipated levels of EMF are presented in §§ 7.8 and 8.16 of the ER, respectively. A review of current independent scientific research pertaining to electric and magnetic fields is contained in the report entitled "Electric and Magnetic Field Research Update: Rhode Island Reliability Project (August, 2008)" prepared by Exponent, Inc. (Appendix B to the ER). The studies relied upon for analysis of the impact, in

addition to the ER, are listed on pages 34 through 43 of the Exponent report.

(4) Studies and Forecasts Concerning Need for Proposed Facility Under Statewide Master Construction Plan.

Narragansett was required to provide all studies and forecasts which it intended to rely upon regarding the need for the proposed facility, under the statewide master construction plan submitted annually including all information, data, methodology and assumptions on which such studies and forecasts are based.

The need for the facility is discussed in § 3 of the ER. The studies and forecasts discussed in § 3 (and contained in Appendices D, E and F of the ER) describe the data, methodology and assumptions on which they are based. Narragansett filed its 2008 master construction plan which included the Project with the EFSB on December 1, 2007.

(5) Various Costs and Financing Associated with Proposed Facility.

Narragansett was required to provide complete detail as to the estimated construction costs of the proposed facility, the projected maintenance and operation costs, the estimated unit cost of energy to be produced by the proposed facility, where applicable, and the expected methods of financing the facility. For transmission lines, Narragansett was also required to provide estimated costs to the community such as safety and public health issues, storm damage and power outages, and estimated costs to businesses and home owners due to power outages.

The estimated construction cost is \$244,900,000. This estimate is a study grade estimate ( $\pm 25\%$ ). The estimate includes capital costs, escalation and Allowance for Funds Used During Construction (AFUDC). Study grade estimates are prepared using historical cost data, data from similar projects, and other stated assumptions of the Project Engineer. The projected operation and maintenance costs are discussed in §4.9 of the ER.

Narragansett plans to provide the funds needed to pay construction costs from internal sources and, to the extent necessary, from additional financing. It is expected that any such additional financing will be provided by National Grid plc, the parent company, issuing debt to investors and making the funding available to Narragansett through intercompany borrowing and/or capital contributions. This is considered to be the most cost-effective method of raising the necessary funds, to take advantage of National Grid's size and recognition in capital markets.

Unit costs of energy to be produced are not applicable to a transmission line.

Safety and public health issues are discussed in §§4.6, 4.7 and 8.15 of the ER and the effect of the Project on service and the costs to the community are discussed in Chapter 3 of the ER.

(6) Life-cycle Management Plan for Proposed Facility.

Narragansett was required to provide a complete life-cycle management plan for the proposed facility, including measures for protecting the public health and safety and the environment during the facility's operations including plans for the handling and disposal of wastes from the facility, and plans for decommissioning of the facility at the end of its useful life.

Measures for protecting the public health, safety and the environment during operation of the facility are discussed in §§ 4.6, 4.7 and 8.15 of the ER.

Plans for the handling and disposal of wastes during construction of the facility are discussed in §§ 4.4, 8.4 and 9.2 of the ER.

Transmission lines and substations typically are not "decommissioned." When their capacity or the end of their useful life is reached, the facility is typically supplemented with another line or substation, upgraded or replaced.

(7) Alternatives to the Proposed Facility.

The Energy Facility Siting Act required that Narragansett provide a study of alternatives to the proposed facility, including alternatives as to energy sources, methods of energy production and transmission, and sites for the facility, together with reasons for the applicant's rejection for such alternatives. Also required to be included in the study were estimates of facility costs and unit energy costs of each alternative considered.

Alternatives to the Project are discussed in Chapter 5 of the ER. Reasons for rejecting the alternatives are discussed in the same sections as the proposed alternatives, Estimates of facility costs for the various alternatives are contained in Chapter 5 and summarized in Chapter 5 and in Tables 5.2 and 5.4 of the ER. Unit energy costs are not relevant to transmission lines or substations.

June, 2009