

The Narragansett Electric Company d/b/a National Grid  
E-183 Transmission Line Project

Project Update and Strategy

I. Current status

- A. 2004 Settlement Agreement – approved by EFSB (attached)
- B. February 28, 2007 letter regarding revised estimate and municipal surcharge (attached)
- C. 2008 legislation — Amendment to Energy Facility Siting Act, § 42-98-1.1 (P.L. 2008, chs. 353 and 370)
  - 1. Authorizes National Grid to proceed with underground project “including the acquisition of any property rights ... subject to the passage of resolutions by both city councils of the cities of Providence and East Providence agreeing that any incremental costs above existing funding may be included in electric rates of electric customers in those cities.”
  - 2. Resolutions must be approved and delivered to the PUC by July 1, 2009
  - 3. Amendment authorizes National Grid “to include the incremental costs above [committed] funding levels in its distribution rate base and [to] reflect the revenue requirement in rates to the electric distribution customers within the cities of Providence and East Providence.”
  - 4. Rate adjustment for incremental costs “shall be made within six (6) months from project completion, applying the same ratemaking principles as ordinarily applied to distribution capital projects”
  - 5. Disposition of excess, newly acquired property: National Grid “shall transfer any remaining portions of [acquired] properties to the redevelopment authority of the city in which the property is located after the completion of the project, at the city's request and at no additional cost to the city.”
  - 6. Disposition of easements: “Any easements no longer being used by the company for utility purposes after the underground alignment is completed also shall be transferred to the city after the completion of the project, at the city's request and at no additional cost to the city.”
  - 7. Disputes to be resolved by the PUC
- D. Funding Resolutions adopted by city councils
  - 1. East Providence Resolution No. 25 (August 19, 2008)
  - 2. Providence Resolution No. 420 (November 17, 2008)

- II. Steps forward — Project Team meeting with parties
  - A. Parties – National Grid, Providence, East Providence, Rhode Island Attorney General, RIDOT and Tockwotten
  - B. Confirm underground route and project scope
    - 1. Drilling sites, landing sites and construction staging areas
      - a. Providence River
      - b. Seekonk River
    - 2. Route between rivers
      - a. Streets?
      - b. India Point Park?
    - 3. East Providence transition station site
  - C. Confirm funding commitments of \$14,475,000
    - 1. RIDOT - \$5,200,000:
      - a. Contribution from State matching funds - \$2,100,000
      - b. Contribution from Federal transportation enhancement funds - \$600,000.
      - c. “Safe, Accountable, Flexible and Efficient Transportation Equity Act of 2005” grant - \$2,500,000.
    - 2. Providence and East Providence — \$5,400,000 - Share of refunds from Narragansett rate settlement in PUC Docket Nos. 2930/3617
    - 3. Attorney General — \$2,000,000 Storm Fund Grant
    - 4. City of Providence/DEM — \$375,000 Greenway Grant to Providence
    - 5. Regional ratepayers — \$1,500,000 - regional contribution
    - 6. Shortfall to be paid by Providence and East Providence ratepayers pursuant to 2008 legislation
  - D. Providence River landing site
    - 1. Confirm availability
    - 2. Plans for acquisition/condemnation
    - 3. Timing of site acquisition — acquire option on parcel?
    - 4. Future use
- III. Steps forward — Draft and execute revised Settlement Agreement
  - A. Parties – as above (II-A)
  - B. Terms – from February 28, 2007 letter:
    - 1. Itemization and confirmation of funding sources and amounts
    - 2. January 1, 2007 project estimate will be updated as of the construction start date (*see section IV-B, below*).
    - 3. Just prior to commencing [construction of] the project, the Company will provide final cost estimates to the parties to the settlement, including final rate impacts.
    - 4. The project shall commence following affirmative action by city councils and mayors approving project construction estimate
    - 5. If the project costs (exclusive of land acquisition and AFUDC) do not exceed 125% of the final, updated estimate, the parties shall not challenge the

reasonableness of such costs before the PUC or in any other forum or request any review, directly or indirectly, by the PUC. If such costs exceed 125% of the estimate, the parties may challenge the reasonableness of costs at the PUC, but only under a gross negligence standard. In either event, however, the PUC does not lose its authority to review the project costs on its own under traditional prudency standards.

6. The amended Settlement Agreement will not be effective until it is approved (i) by the Providence and East Providence city councils and mayors and (ii) thereafter by the EFSB.
7. The provisions of the Settlement Agreement relating to rate recovery also must be approved by the PUC.

C. Other terms

1. Incorporate provisions of 2008 Energy Facility Siting Act amendment
2. Funding details (application of funds, timing, accounting, etc.)
3. If underground alignment is not approved by councils and mayors, National Grid will rebuild river crossings in current locations
4. Force majeure clause
5. Dispute resolution process

D. Obtain EFSB and PUC approval of revised Settlement Agreement

IV. Steps forward — Engineering and Permitting

- A. Perform utility research and engineering necessary to update estimate
- B. Prepare construction grade estimate
- C. Review and approval of estimate by Parties
- D. Commence detailed engineering
- E. Commence permitting (EFSB, DEM, CRMC, ACOE; municipalities?)

V. Steps forward — Implementation

- A. Acquire drilling landing site in Providence
- B. Acquire other easements and rights —
  1. Providence including underground easement (India Point Park)
  2. East Providence including landing site (park)
  3. Tockwotten including transition station site and transmission line easements
- C. Solicit material and installation bids for project
- D. Review project construction estimate based on bid results
- E. Obtain Providence and East Providence Council and mayors' approvals to proceed
- F. Construct underground line
- G. Remove overhead line and structures

January 16, 2009