

December 3, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Tariff Advice Filing to Amend R.I.P.U.C. No. 1078-A,
Qualifying Facilities Power Purchase Rate, Docket No. _____**

Dear Ms. Massaro:

Pursuant to Commission Rule 1.9(c), enclosed please find ten (10) copies of National Grid's¹ tariff advice filing to amend the Company's Qualifying Facilities Power Purchase Rate, R.I.P.U.C. No. 1078-A ("QF Rate"), to be effective January 1, 2008. The proposed revisions to the Company's QF Rate are necessary to implement the provisions of R.I.G.L. Section 39-26-6 (g) and (h), which was enacted on July 2, 2007 and requires that certain changes regarding distributed generation from renewable energy systems be made effective January 1, 2008.

Attached to this letter is a copy of the proposed QF Rate as well as the tariff that has been marked to show changes from the QF Rate currently in effect. The Company has also enclosed a draft notice that will be published in 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.

Background

The Company's currently effective QF Rate, R.I.P.U.C. 1078-A has been in effect since January 1, 1998 and contains the terms and conditions under which the Company will purchase power from customers designated as qualifying facilities ("QFs") as defined in the Public Utility Regulatory Policy Act of 1978. Section III.B of the QF Rate contains a provision that allows certain eligible QFs to deliver power to the Company through net-metering, *i.e.*, the power generated by the customer in excess of the customer's own load requirements is used to offset the kWhs delivered to the customer by the Company. Eligibility for this net-metering provision is currently limited to customers with generating facilities of 25 kVa or less.

¹ The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company").

R.I.G.L. §39-26-6(g) mandates an increase in the maximum allowable generation capacity for eligible net-metered energy system to one megawatt (MW); and to 1.65 MW for eligible net-metered renewable energy systems owned by cities and towns of Rhode Island and the Narragansett Bay Commission. In addition, the new law increases the aggregate amount of net metering allowed on the system to a minimum of five (5) MWs and provides that at least one MW be reserved for projects less than twenty-five (25) kilowatts (kW). R.I.G.L. §39-26-6 (h) allows the Company to recover any portion of distribution delivery charges displaced by eligible renewable energy systems on an annual basis through a surcharge to all customers.

Revisions to the QF Rate to Implement the Amendments to R.I.G.L. §39-26-6

Section III of the QF Rate has been revised to implement the amendments to R.I.G.L. §39-26-6. These revisions are summarized below.

- Section III.B – Net Metering Exemption for Certain Qualifying Facilities, sets forth the criteria for facilities eligible for net-metering. This section has been revised to reflect the increase in the size of the eligible generating facility. Specifically, the following are eligible for net-metering:
 - i. Facilities with generating capacity of one (1) megawatt (MW) or less and utilize renewable technologies specified in R.I.G.L. §39-26-5 or fuel cells eligible for funding from the conservation surcharge specified in Title 39; and
 - ii. Facilities with generating capacity of 1.65 MW or less and are owned by cities and town of Rhode Island or the Narragansett Bay Commission and utilize renewable technologies specified in R.I.G.L. §39-26-5 or fuel cells eligible for funding from the conservation surcharge specified in Title 39.
- Section III.B (2)(d) has been revised to reflect that net metering will be limited to an overall total of five (5) MWs of installed capacity, an increase to the current limit of one (1) MW.
- Section III.B (5) has been added to the proposed tariff to comply with Section 39-26-6(h) which allows the Company to recover the distribution portion of renewable credits and the distribution portion of delivery charges applicable to kWhs displaced by eligible renewable energy systems on an annual basis through a surcharge to all customers.

Other Proposed Tariff Revisions

The Company is proposing several other revisions to the QF Rate which, although not necessary to implement the amendments to R.I.G.L. §39-26-6, are appropriate to make at this time. These revisions are summarized below.

- Section I has been revised to reflect FERC's recent Order No. 688², which changes the Company's obligation to purchase power from QFs of 80 MW or less to 20 MW or less.
- A new section, Section II.1, requires a QF to provide the Company with prior notice of their intent to sell electricity to the Company and further requires the facility to execute a standard purchase power agreement setting forth the terms of the sale.
- In order to streamline the administrative process and apply the provisions of the QF Rate in a consistent manner to all customers, Section III.B (1) of R.I.P.U.C. No. 1078-A has been deleted. The provisions of this Section applied to QFs of less than 25 kVA known to the Company to be net metered on or before March 31, 1998. Specifically, the Company has been required, in any month in which there is a negative read on the facility's meter, to pay for the total negative read at rates equal to the arithmetic average of the NEPOOL hourly market clearing price for Energy for the prior calendar month. Presently, only one facility is eligible for payments under this provision. Because of the nature of this customer's operation, the Company believes that this customer would benefit from the twelve-month generation netting procedure outlined in proposed Section III.B(1).
- The twelve-month generation and usage netting procedure outlined in proposed Section III.B(1) has been revised so that the twelve month period commences on January of each year rather than on the date of the first meter read after commencement of operation of the QF. This revision will simplify the administration of the rate.

The proposed QF Rate also makes reference to the Company's Standards for Connecting Distributed Generation. The Company intends to file these standards shortly.

² New PURPA Section 210(m) Regulations Applicable to Small Power Production and Cogeneration Facilities, Order No. 688, 71 FR 64342 (Nov. 1, 2006), FERC Stats. & Regs. ¶ 31,233 (2006) (Final Rule); see also Order on Rehearing, 119 FERC ¶ 61,305 (June 22, 2007).

Luly E. Massaro, Commission Clerk
Tariff Advice Filing - Amend R.I.P.U.C. No. 1078-A
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Thank you for your attention to this matter. If you have any questions regarding this filing, please feel free to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Paul Roberti, Esq.
Steve Scialabba, Division

**National Grid
Tariff Advice Filing**

**To Amend
R.I.P.U.C. No. 1078-A**

Redlined Version

THE NARRAGANSETT ELECTRIC COMPANY
QUALIFYING FACILITIES POWER PURCHASE RATE

I. Applicability

The Company will purchase the electrical output from any qualifying facility as defined under the Public Utility Regulatory Policies Act of 1978 and constructed after November 9, 1978, under the following terms and conditions. Qualifying facilities include the following:

- a. Small power production facilities of 2080 megawatts or less which use biomass, waste, renewable resources, or any combination thereof for at least 75 percent of their total energy input in the aggregate during any calendar year period.
- b. Cogeneration facilities of 20 megawatts or less~~Cogenerators~~ which first generate electricity and then use at least~~lease~~ five percent of the total energy output for thermal production, provided that the useful power output of the facility plus one-half the useful thermal energy output must be:
 - 1) no less than 42.5 percent of the total energy input of natural gas and oil to the facility in any calendar year; or
 - 2) if the useful thermal energy output is less than 15 percent of the total energy output of the facility, no less than 45 percent of the total energy input of natural gas and oil to the facility in any calendar year.
- c. Cogeneration facilities of 20 megawatts or less~~Cogenerators~~ which first provide useful thermal energy and then use reject heat to generate electricity, provided that the useful power output must be no less than 45 percent of the total energy input of natural gas and oil during any calendar year period.

II. Terms and Conditions

1. Any qualifying facility that desires to sell electricity to the Company must provide the Company with sufficient prior written notice. At the time of notification, the qualifying facility shall provide the Company with the following information:
 - a. The name and address of the applicant and location of the qualifying facility.
 - b. A brief description of the qualifying facility, including a statement indicating whether such facility is a small power production facility or a cogeneration facility.
 - c. The primary energy source used or to be used by the qualifying facility.
 - d. The power production capacity of the qualifying facility and the maximum net energy to be delivered to the Company's facilities at any clock hour.
 - e. The owners of the qualifying facility including the percentage of ownership by any electric utility or by any public utility holding company, or by any entity owned by either.
 - f. The expected date of installation and the anticipated on-line date.
 - g. The anticipated method of delivering power to the Company.
 - h. A copy of the qualifying facility's Federal Energy Regulatory Commission certification as a qualifying facility.

Such notice shall be sent to:

Director, Regulated Load and Distributed Generation
National Grid USA Service Company, Inc.
55 Bearfoot Road
Northboro, MA 01532

Following such notification, the qualifying facility and the Company shall execute the standard purchase power agreement setting forth the terms of the sale, a form of which is attached in Schedule A, which shall be executed no later than thirty (30) days prior to the desired commencement date of the sale. The actual commencement date of the sale shall be the first day of the calendar month following the acceptance by ISO-New England, Inc. ("ISO-NE") of the

registration of the qualifying facility in the ISO-NE settlement system.

2. The qualifying facility shall furnish and install the necessary meter socket and wiring in accordance with the Company's Standards for Connecting Distributed Generation.

3.2. The qualifying facility shall install equipment approved by the Company which prevents the flow of electricity into the Company's system when the Company's supply is out of service, unless the qualifying facility's generation equipment can be controlled by the Company's supply.

4.3. The qualifying facility's equipment must be compatible with the character of service supplied by the Company at the qualifying facility's location.

~~5.4. The Company will require all qualifying facilities with a capability equal to or greater than 25 kilovolt amperes ("kVA") to install bidirectional, interval metering with remote access capability. The Company will allow qualifying facilities with capability less than 25 kVA to use a single standard watt-hour meter. In addition, the Company may waive all or any portion of its protection requirements that would otherwise be required under the Company's interconnection standards that are not necessary in the circumstances of smaller sized qualifying facilities. The qualifying facility shall be required to install metering pursuant to the requirements contained in the Company's Standards for Connecting Distributed Generation.~~

~~6.5. The Company may require the qualifying facility to enter into an interconnection agreement containing standards for interconnection that are substantially the same as that which would be required of any generator seeking interconnection with~~

~~New England Power Company's transmission system pursuant to New England Power Company's Open Access Transmission Tariff, FERC Electric Tariff Original Volume No. 9 ("Tariff No. 9"), as amended and superseded from time to time. The qualifying facility shall enter into an interconnection agreement and follow all other procedures outlined in the Company's Standards for Connecting Distributed Generation, as amended and superseded from time to time.~~

- 7.6. The qualifying facility shall reimburse the Company for any equipment and the estimated total cost of construction (excluding costs which are required for system improvements or for sales to the qualifying facility, such as the cost of a standard metering installation, in accordance with the Company's Terms and Conditions) which are necessary to meter purchases under this rate and to interconnect the qualifying facility to the Company's distribution or transmission system in accordance with the Company's Standards for Connecting Distributed Generation. The Company will install, own, and maintain the equipment.
- ~~Payment required from a qualifying facility under this paragraph shall be made prior to the construction of the interconnection; provided that qualifying facilities shall have the option to pay the required amount to the Company over 60 monthly installments.~~

- 8.7. The qualifying facility shall save and hold harmless the Company from all claims for damage to the qualifying facility's equipment or injury to any person arising out of the qualifying facility's use of generating equipment in parallel with the Company's system; provided that nothing in this paragraph shall relieve the Company from liability for damage or injury caused by its own fault or neglect.

98. As a condition to receiving any payments required by this rate, the qualifying facility must comply with any and all applicable New England Power Pool (“NEPOOL”) and ISO-NE rules, requirements, or information requests that are necessary for the qualifying facilities’ output to be sold into the ISO-NE administered markets ~~to NEPOOL~~ (whether the Company or the qualifying facility is actually submitting information to ISO-NE ~~NEPOOL~~). If the Company must provide to NEPOOL or ISO-NE any information regarding the operation, output, or any other data in order to sell the output of the qualifying facility into the ISO-NE administered markets ~~to NEPOOL~~, the qualifying facility must provide such information to the Company in a timely manner. The Company will not be liable to pay the qualifying facility for the output of the qualifying facility if the Company is unable to sell the output into the ISO-NE administered markets ~~to NEPOOL~~ because of a failure of the qualifying facility to provide to the Company, ~~or~~ NEPOOL or ISO-NE any information on a timely basis that was required for sale of the facility output into the ISO-NE administered markets ~~to NEPOOL~~.

10.9. ~~NEPOOL and ISO-NE have the~~ —The Independent System Operator (“ISO”) ~~that administers the NEPOOL power exchange has the~~ authority to impose fines, penalties, and/or sanctions on participants if it is determined that a participant is violating established rules in certain instances. Accordingly, to the extent that a fine, penalty, or sanction is levied by NEPOOL or the ISO-NE as a result of the qualifying facility’s failure to comply with a NEPOOL or ISO-NE rule or information request, the qualifying facility will be responsible for the costs

incurred by the Company, if any, associated with such fine, penalty or sanction.

III. Rates for Purchases

A. Rates for Qualifying Facilities

For qualifying facilities not exempted by the ~~net metering Reverse Metering~~ provisions in section B below, the Company will pay rates equal to the payments received by the Company for the sale of such qualifying facilities' output into the ISO-NE administered markets~~NEPOOL wholesale market~~ for the hours in which the qualifying facility generated electricity in excess of its requirements. ~~This rate will take effect on the first day of the month following the "Power Exchange Implementation Date," as defined in section C below. Prior to that date, the rate shall be as provided in section C below.~~

B. NetReverse Metering Exemption for Certain Qualifying Facilities of Less than 25 kVA

For ~~certain~~ qualifying facilities which are (i) one(1) megawatt (MW) or of less and utilize renewable technologies specified in Rhode Island General Laws §39-26-5 or fuel cells eligible for funding from the conservation surcharge specified in Title 39, or (ii) 1.65 MW or less and are owned by cities and town of Rhode Island or the Narragansett Bay Commission and utilize renewable technologies specified in Rhode Island General Laws §39-26-5 or fuel cells eligible for funding from the conservation surcharge specified in Title 39~~than 25 kVA~~, the Company will permit the qualifying facility to deliver electricity to the Company through ~~netreverse~~ metering as specified below:

- (1) ~~Qualifying facilities known to the Company to be reverse metered on or before March 31, 1998 can continue to be reverse metered and are not subject to the~~

~~provisions of section B.(2) below. In any given month, if there is a negative read on such qualifying facility's meter, the Company will pay for the total negative read at rates equal to the arithmetic average of the NEPOOL hourly market clearing prices for Energy for the prior calendar month. This rate for negative reads will take effect on the first day of the month following the "Power Exchange Implementation Date," as defined in section C below. Prior to that date, the rate shall be as provided in section C below.~~

~~(2) — For qualifying facilities of less than 25 kVA that interconnected with the Company's system after March 31, 1998, reverse metering shall be available as follows:~~

~~(a) The customer's usage and generation will be netted for a twelve-month period beginning on January of each year¹.~~the date of the first meter read after commencement of operation of the qualifying facility.~~ In the event of a negative read for a given month, such amount will accumulate as a "generation credit" to the customer from month to month for a twelve-month period. Generation credits will be used to offset any positive meter reads (i.e. usage) for the subsequent monthly billing period. At the end of the twelve-month period, any unused credits will no longer be available to offset usage and no compensation will be paid for them.~~

~~(2) Net metering shall be limited to an overall total of five (5) megawatts (5,000 kilowatts) of installed capacity; provided, however at least one (1) megawatt is reserved for projects less than twenty-five (25) kilowatts (kW).(b) — The policy of reverse metering will be limited to the~~

¹~~The initial netting period will be from the date of the first meter read after the commencement of operation of the qualifying facility through December following the first January occurring subsequent to the commencement of operation.~~

~~renewable technologies specified in Rhode Island General Laws §39-2-1.2(b): “power generation technologies that produce electricity from wind energy, small-scale (less than 100 megawatts) hydropower plants that do not require the construction of new dams, solar energy and sustainably managed biomass.” Fuel cells eligible for funding from the conservation surcharge specified in Title 39 shall also be eligible.~~

~~(c) Reverse metering shall be limited to individual facilities of less than 25 kVA, located on the customer’s premises and used to meet the customer’s own load.~~

~~(d) Reverse metering shall be limited to an overall total of one (1) megawatt (1,000 kilowatts) of installed capacity, including qualifying facilities covered by section B.(1) above.~~ Upon reaching this limit, the Company shall notify the Public Utilities Commission and will no longer offer netreverse metering to any new qualifying facilities.

(3) Net

~~(e) Reverse~~ metering shall be limited to charges assessed on a per kilowatt-hour basis. Customers with demand meters will continue to pay charges billed on a kilowatt and/or kVA basis.

~~(4) f~~ Customers who install generation eligible for netreverse metering under the provisions of this section must follow the Company’s Standards for Connecting Distributed Generation.

(5) Pursuant to Rhode Island General Laws §39-26-6(h), the distribution portion of any renewable credits inform the Company of the size and type of the generation and

~~the distribution portion of any distribution company delivery charges displaced by renewable energy systems subject to Section III.B shall be aggregated on an annual basis by the Company and recovered from all customers through a uniform per kWh-hour surchargedate of installation. Such notification must occur 30 days prior to the date of installation of such facilities.~~

~~C. Interim Rates~~

~~For the period prior to the commencement of the NEPOOL Energy market and power exchange (“Power Exchange Implementation Date”), the Company shall pay rates to qualifying facilities equal to the average of the rates determined under the previously effective Power Purchase Rate, issued June 10, 1981, for the twelve months ended August 31, 1998.~~

~~D. Line Losses~~

~~The rates for purchases shall be adjusted to reflect the costs or savings in line losses that result from purchases from the qualifying facility.~~

IV. Rates for Distribution Service to Qualifying Facilities

Retail distribution delivery service by the Company to the qualifying facility shall be governed by the tariffs, rates, terms, conditions, and policies for retail delivery service which are on file with the Public Utilities Commission.

Effective ~~January~~September 1, ~~2008~~1998

Schedule A

THE NARRAGANSETT ELECTRIC COMPANY
QUALIFYING FACILITY POWER PURCHASE AGREEMENT

The Agreement is between _____, a Qualifying Facility (“QF”) and The Narragansett Electric Company (the “Company”) for energy purchases by the Company from the QF’s facility located at _____, Rhode Island.

Agreement to Purchase under the Qualifying Facilities Power Purchase Rate Tariff

Effective as of _____, the Company agrees to purchase electricity from the QF and QF agrees to sell electricity to the Company under the terms and conditions of the Company’s Qualifying Facilities Power Purchase Rate Tariff as currently in effect or amended by the Company in the Company’s sole discretion. The QF agrees to comply with the terms and conditions of the Qualifying Facilities Power Purchase Rate Tariff and associated policies of the Company that are on file with the Rhode Island Public Utilities Commission as currently in effect or as modified, amended, or revised by the Company, and to pay any metering and interconnection costs required under such tariff and policies.

Payments for Energy

The Company will pay the QF at the rates in effect at the time of delivery as provided for in the Qualifying Facilities Power Purchase Rate Tariff.

Notice

The Company or QF may terminate this agreement on thirty (30) days written notice which includes a statement of reasons for such termination.

Agreed and Accepted

Date

The Narragansett Electric Company Date

**National Grid
Tariff Advice Filing**

**To Amend
R.I.P.U.C. No. 1078-A**

Clean Version

THE NARRAGANSETT ELECTRIC COMPANY
QUALIFYING FACILITIES POWER PURCHASE RATE

I. Applicability

The Company will purchase the electrical output from any qualifying facility as defined under the Public Utility Regulatory Policies Act of 1978 and constructed after November 9, 1978, under the following terms and conditions. Qualifying facilities include the following:

- a. Small power production facilities of 20 megawatts or less which use biomass, waste, renewable resources, or any combination thereof for at least 75 percent of their total energy input in the aggregate during any calendar year period.
- b. Cogeneration facilities of 20 megawatts or less which first generate electricity and then use at least five percent of the total energy output for thermal production, provided that the useful power output of the facility plus one-half the useful thermal energy output must be:
 - 1) no less than 42.5 percent of the total energy input of natural gas and oil to the facility in any calendar year; or
 - 2) if the useful thermal energy output is less than 15 percent of the total energy output of the facility, no less than 45 percent of the total energy input of natural gas and oil to the facility in any calendar year.
- c. Cogeneration facilities of 20 megawatts or less which first provide useful thermal energy and then use reject heat to generate electricity, provided that the useful power output must be no less than 45 percent of the total energy input of natural gas and oil during any calendar year period.

II. Terms and Conditions

1. Any qualifying facility that desires to sell electricity to the Company must provide the Company with sufficient prior written notice. At the time of notification, the qualifying facility shall provide the Company with the following information:
 - a. The name and address of the applicant and location of the qualifying facility.
 - b. A brief description of the qualifying facility, including a statement indicating whether such facility is a small power production facility or a cogeneration facility.
 - c. The primary energy source used or to be used by the qualifying facility.
 - d. The power production capacity of the qualifying facility and the maximum net energy to be delivered to the Company's facilities at any clock hour.
 - e. The owners of the qualifying facility including the percentage of ownership by any electric utility or by any public utility holding company, or by any entity owned by either.
 - f. The expected date of installation and the anticipated on-line date.
 - g. The anticipated method of delivering power to the Company.
 - h. A copy of the qualifying facility's Federal Energy Regulatory Commission certification as a qualifying facility.

Such notice shall be sent to:

Director, Regulated Load and Distributed Generation
National Grid USA Service Company, Inc.
55 Bearfoot Road
Northboro, MA 01532

Following such notification, the qualifying facility and the Company shall execute the standard purchase power agreement setting forth the terms of the sale, a form of which is attached in Schedule A, which shall be executed no later than thirty (30) days prior to the desired commencement date of the sale. The actual commencement date of the sale shall be the first day of the calendar month following the acceptance by ISO-New England, Inc. ("ISO-NE") of the

registration of the qualifying facility in the ISO-NE settlement system.

2. The qualifying facility shall furnish and install the necessary meter socket and wiring in accordance with the Company's Standards for Connecting Distributed Generation.
3. The qualifying facility shall install equipment approved by the Company which prevents the flow of electricity into the Company's system when the Company's supply is out of service, unless the qualifying facility's generation equipment can be controlled by the Company's supply.
4. The qualifying facility's equipment must be compatible with the character of service supplied by the Company at the qualifying facility's location.
5. The qualifying facility shall be required to install metering pursuant to the requirements contained in the Company's Standards for Connecting Distributed Generation.
6. The qualifying facility shall enter into an interconnection agreement and follow all other procedures outlined in the Company's Standards for Connecting Distributed Generation, as amended and superseded from time to time.
7. The qualifying facility shall reimburse the Company for any equipment and the estimated total cost of construction (excluding costs which are required for system improvements or for sales to the qualifying facility, such as the cost of a standard metering installation, in accordance with the Company's Terms and Conditions) which are necessary to meter purchases under this rate and to interconnect the qualifying facility to the Company's distribution or transmission system in accordance with the Company's Standards for Connecting Distributed

Generation. The Company will install, own, and maintain the equipment.

8. The qualifying facility shall save and hold harmless the Company from all claims for damage to the qualifying facility's equipment or injury to any person arising out of the qualifying facility's use of generating equipment in parallel with the Company's system; provided that nothing in this paragraph shall relieve the Company from liability for damage or injury caused by its own fault or neglect.
9. As a condition to receiving any payments required by this rate, the qualifying facility must comply with any and all applicable New England Power Pool ("NEPOOL") and ISO-NE rules, requirements, or information requests that are necessary for the qualifying facilities' output to be sold into the ISO-NE administered markets (whether the Company or the qualifying facility is actually submitting information to ISO-NE). If the Company must provide to NEPOOL or ISO-NE any information regarding the operation, output, or any other data in order to sell the output of the qualifying facility into the ISO-NE administered markets, the qualifying facility must provide such information to the Company in a timely manner. The Company will not be liable to pay the qualifying facility for the output of the qualifying facility if the Company is unable to sell the output into the ISO-NE administered markets because of a failure of the qualifying facility to provide to the Company, NEPOOL or ISO-NE any information on a timely basis that was required for sale of the facility output into the ISO-NE administered markets.
10. NEPOOL and ISO-NE have the authority to impose fines, penalties, and/or sanctions on participants if it is determined that a participant is violating

established rules in certain instances. Accordingly, to the extent that a fine, penalty, or sanction is levied by NEPOOL or the ISO-NE as a result of the qualifying facility's failure to comply with a NEPOOL or ISO-NE rule or information request, the qualifying facility will be responsible for the costs incurred by the Company, if any, associated with such fine, penalty or sanction.

III. Rates for Purchases

A. Rates for Qualifying Facilities

For qualifying facilities not exempted by the net metering provisions in section B below, the Company will pay rates equal to the payments received by the Company for the sale of such qualifying facilities' output into the ISO-NE administered markets for the hours in which the qualifying facility generated electricity in excess of its requirements.

B. Net Metering Exemption for Certain Qualifying Facilities

For qualifying facilities which are (i) one(1) megawatt (MW) or less and utilize renewable technologies specified in Rhode Island General Laws §39-26-5 or fuel cells eligible for funding from the conservation surcharge specified in Title 39, or (ii) 1.65 MW or less and are owned by cities and town of Rhode Island or the Narragansett Bay Commission and utilize renewable technologies specified in Rhode Island General Laws §39-26-5 or fuel cells eligible for funding from the conservation surcharge specified in Title 39, the Company will permit the qualifying facility to deliver electricity to the Company through net metering as specified below:

- (1) The customer's usage and generation will be netted for a twelve-month period

- beginning on January of each year¹. In the event of a negative read for a given month, such amount will accumulate as a “generation credit” to the customer from month to month for a twelve-month period. Generation credits will be used to offset any positive meter reads (i.e. usage) for the subsequent monthly billing period. At the end of the twelve-month period, any unused credits will no longer be available to offset usage and no compensation will be paid for them.
- (2) Net metering shall be limited to an overall total of five (5) megawatts (5,000 kilowatts) of installed capacity; provided, however at least one (1) megawatt is reserved for projects less than twenty-five (25) kilowatts (kW). Upon reaching this limit, the Company shall notify the Public Utilities Commission and will no longer offer net metering to any new qualifying facilities.
 - (3) Net metering shall be limited to charges assessed on a per kilowatt-hour basis. Customers with demand meters will continue to pay charges billed on a kilowatt and/or kVA basis.
 - (4) Customers who install generation eligible for net metering under the provisions of this section must follow the Company’s Standards for Connecting Distributed Generation.
 - (5) Pursuant to Rhode Island General Laws §39-26-6(h), the distribution portion of any renewable credits and the distribution portion of any distribution company delivery charges displaced by renewable energy systems subject to Section III.B shall be aggregated on an annual basis by the Company and recovered from all

¹ The initial netting period will be from the date of the first meter read after the commencement of operation of the qualifying facility through December following the first January occurring subsequent to the commencement of

customers through a uniform per kWh-hour surcharge.

IV. Rates for Distribution Service to Qualifying Facilities

Retail distribution delivery service by the Company to the qualifying facility shall be governed by the tariffs, rates, terms, conditions, and policies for retail delivery service which are on file with the Public Utilities Commission.

Effective January 1, 2008

operation.

Schedule A

THE NARRAGANSETT ELECTRIC COMPANY
QUALIFYING FACILITY POWER PURCHASE AGREEMENT

The Agreement is between _____, a Qualifying Facility (“QF”) and The Narragansett Electric Company (the “Company”) for energy purchases by the Company from the QF’s facility located at _____, Rhode Island.

Agreement to Purchase under the Qualifying Facilities Power Purchase Rate Tariff

Effective as of _____, the Company agrees to purchase electricity from the QF and QF agrees to sell electricity to the Company under the terms and conditions of the Company’s Qualifying Facilities Power Purchase Rate Tariff as currently in effect or amended by the Company in the Company’s sole discretion. The QF agrees to comply with the terms and conditions of the Qualifying Facilities Power Purchase Rate Tariff and associated policies of the Company that are on file with the Rhode Island Public Utilities Commission as currently in effect or as modified, amended, or revised by the Company, and to pay any metering and interconnection costs required under such tariff and policies.

Payments for Energy

The Company will pay the QF at the rates in effect at the time of delivery as provided for in the Qualifying Facilities Power Purchase Rate Tariff.

Notice

The Company or QF may terminate this agreement on thirty (30) days written notice which includes a statement of reasons for such termination.

Agreed and Accepted

Date

The Narragansett Electric Company Date

**National Grid
Tariff Advice Filing**

**To Amend
R.I.P.U.C. No. 1078-A**

Draft Notice

DRAFT

PUBLIC NOTICE

Pursuant to Rhode Island General Laws §39-3-11 and Rule 1.9(c) of the Rules of Practice and Procedure of the Rhode Island Public Utilities Commission (“Commission”), The Narragansett Electric Company, d/b/a National Grid (“Company”), hereby gives notice that on December 3, 2007, the Company filed by Tariff Advice a revision to its Qualifying Facilities Power Purchase Rate in order to implement the recently enacted provisions of Sections 39-26-6(g) and (h) of the General Laws. These sections require certain changes to the tariff regarding distributed generation from renewable energy systems.

The revised tariff is proposed to become effective January 1, 2008. This filing has been docketed as R.I.P.U.C. Docket No. _____. The Commission may hold a hearing on this issue and will publish a notice of the hearing date. A copy of the application is on file for examination at the offices of the Public Utilities Commission, 89 Jefferson Boulevard, Warwick, Rhode Island. 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 the hearing.