

Gerald J. Petros
gpetros@haslaw.com

August 29, 2007

VIA ELECTRONIC MAIL

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**Re: Petition and Request of Narragansett Electric Company
d/b/a National Grid
Docket No. 3969**

Dear Ms. Massaro:

I enclose a Motion to Approve a Settlement Agreement and the proposed Settlement Agreement.
This matter is scheduled to be heard by the Commission on September 22, 2008.

Very truly yours,


Gerald J. Petros

cc: RIPUC Service List

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

Petition and Request of the Narragansett :
Electric Company d/b/a National Grid :
Docket No. 3969

**MOTION TO APPROVE SETTLEMENT AGREEMENT
OF THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID**

I. INTRODUCTION

The Narragansett Electric Company d/b/a National Grid (“National Grid”) hereby respectfully requests that the Rhode Island Public Utilities Commission (the “Commission”) approve a proposed settlement agreement (the “Settlement”) that would resolve this proceeding (Commission Docket No. 3969), two related civil actions that are pending in federal court in Rhode Island and Massachusetts, and an appeal pending before the United States Court of Appeals for the First Circuit: The Narragansett Electric Company v. Constellation Energy Commodities, Inc., (C.A. No. 06-404) (the “UCAP Action”); Constellation Energy Commodities, Inc. v. The Narragansett Electric Company, (C.A. No. 08–40068) (the “FAF Action”) and Constellation Energy Commodities, Inc. v. The Narragansett Electric Company, (Appeal No. 08-1080) (the “First Circuit Appeal”) (collectively, the “Civil Actions”).

As more fully described below, the Settlement serves the best interests of customers by settling claims that could result in substantial costs and rate recoveries and by providing a final resolution to the Civil Actions. The Rhode Island, Division of Public Utilities and Carriers by and through their legal counsel, Patrick C. Lynch, Rhode Island Attorney General (the “Division”) is a party to the Settlement, and supports approval of it by this Commission.

II. THE LITIGATION

The Settlement would resolve two actions pending between National Grid and Constellation Energy Commodities Group, Inc. (“Constellation”) and a related appeal.

The FAF Action concerns Constellation’s claim that, under the terms of two Wholesale Standard Offer Supply Agreements each executed on December 21, 1998, and amended on January 27, 2003, by and between National Grid and Constellation (the “WSOSAs”), it is owed fuel adjustment factor payments after 2004 from National Grid. The claim is similar to one advanced by TransCanada Power Marketing Ltd. (“TransCanada”) in federal court in Massachusetts. The TransCanada litigation was resolved by agreement which the Commission approved in June 2008 in Docket No. 3959. As a result of the FAF Action, National Grid filed the Petition in this docket seeking approval of a conditional fuel adjustment factor.

The UCAP Action concerns Constellation’s claim that, under the terms of the WSOSAs, a Power Supply Agreement dated October 5, 2001, and a Power Supply Agreement dated August 23, 2002 between National Grid and Constellation, it is owed additional compensation from National Grid for certain transition period unforced capacity costs and for costs arising out of changes in the ancillary services market. National Grid received a written demand from Constellation seeking to initiate a process for discussing adjustments in light of those increased costs, and then National Grid filed a declaratory judgment and breach of contract action in federal court in Rhode Island. The Division intervened and is a party to the UCAP Action.

III. THE SETTLEMENT

In recent months National Grid, Constellation and the Division (collectively, the “Parties”), engaged in settlement discussions to avoid further cost and expense. The discussions occurred pursuant to the protections of Rule 408 of the Federal Rules of Evidence to protect confidentiality.

The essential terms of the Settlement provide that National Grid will make a lump sum payment of \$20,000,000 to Constellation within ten (10) days of the Effective Date of the Settlement and then National Grid and Constellation will amend the pricing and payment provisions of the WSOSAs by adding a monthly contract reservation charge applicable in 2009 of: (i) \$905,820.00 per month to the 20% WSOSA, and (ii) \$1,610,344.00 per month to the 36% WSOSA, each paid to Constellation on the last business day of each month, beginning January 30, 2009 and ending December 31, 2009. The Settlement and related amendments to the WSOSAs are conditioned on an approval by the Commission that permits National Grid to recover the costs of the Settlement in rates.

The Settlement is important to Rhode Island customers because it eliminates potential significant liability to National Grid’s customers from the Civil Actions at a time when rates are already increasing. National Grid believes the Settlement presents a fair resolution of the underlying matters, given the associated risks.

For instance, the TransCanada action recently resulted in an unfavorable decision that presented litigation risk to National Grid’s customers. Constellation asserts that its position in the FAF Action is similar to that of TransCanada, and it has relied upon that

decision in advancing its claim. While National Grid believes it has substantial defenses to these claims, the FAF Action does present risks to National Grid's customers.

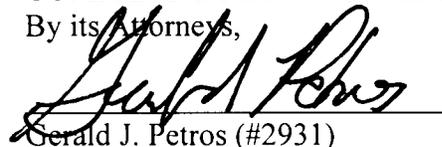
The UCAP Action also presents risks to National Grid's customers due to Constellation's claims in that action that a substantial monetary adjustment is owed. Once again, National Grid has substantial defenses to Constellation's UCAP claims. Nevertheless, even a small risk of an adverse ruling in the Civil Actions is sufficient to support the proposed Settlement that National Grid presents to the Commission through this motion. That risk is present and for that reason, National Grid and the Division submit that the Settlement is in the best interests of the Rhode Island ratepayers.

National Grid anticipates filing pre-filed testimony that will describe in more detail the nature of the Civil Actions and will support and explain the reasonableness of the Settlement. National Grid firmly believes that the Settlement is in the customers' best interests.

IV. CONCLUSION

For the foregoing reasons, National Grid respectfully requests that this Motion be granted and the Settlement approved.

NARRAGANESTT ELECTRIC
COMPANY d/b/a NATIONAL GRID
By its Attorneys,



Gerald J. Petros (#2931)
Hinckley, Allen & Snyder LLP
50 Kennedy Plaza, Suite 1500
Providence, RI 02903
(401) 274-2000
(401) 277-9600 (fax)

Dated: August 29 2008

SETTLEMENT AGREEMENT

This Settlement Agreement (comprehensively with its Exhibits, the “Settlement Agreement”) is made this 29th day of August, 2008 by and between Constellation Energy Commodities Group, Inc. (“Constellation”), The Narragansett Electric Company d/b/a National Grid (“National Grid”) and the Rhode Island, Division of Public Utilities and Carriers by and through their legal counsel, Patrick C. Lynch, Rhode Island Attorney General (the “Division” and collectively with Constellation and National Grid, the “Parties”).

WHEREAS, National Grid (as successor to Blackstone Valley Electric Company (“Blackstone”) and Newport Electric Company (“Newport”)) and Constellation (as successor by name change to Constellation Power Source, Inc.) entered into that certain: (i) Wholesale Standard Offer Service Agreement dated as of December 21, 1998, as amended January 27, 2003, whereby Constellation serves 20.1775% of Blackstone’s and Newport’s Standard Offer Service under the agreement (the “20% WSOSA”); and (ii) Wholesale Standard Offer Service Agreement dated as of December 21, 1998, as amended January 27, 2003, whereby Constellation serves 35.7695 % of Blackstone’s and Newport’s Standard Offer Service under the agreement (the “36% WSOSA”) (collectively, the “WSOSAs”);

WHEREAS, Constellation commenced a civil action against National Grid in the United States District Court for the District of Massachusetts (the “Massachusetts Federal Court”) concerning the WSOSAs, said action being captioned Constellation Energy Commodities, Inc. v. The Narragansett Electric Company, (Civil Action No. 08 – 40068) (the “FAF Action”);

WHEREAS, Constellation and National Grid are (in addition to the WSOSAs) parties to a Power Supply Agreement dated October 5, 2001 and a Power Supply Agreement dated August

23, 2002 (together with the WSOSAs, the “PPAs”) under which Constellation sells wholesale power to National Grid for delivery in Rhode Island;

WHEREAS, National Grid commenced a civil action against Constellation in the United States District Court for the District of Rhode Island (the “Rhode Island Federal Court”) concerning the PPAs, said action being captioned The Narragansett Electric Company v. Constellation Energy Commodities, Inc., (Civil Action No. 06-404) (the “UCAP Action”);

WHEREAS, the Division intervened in the UCAP Action;

WHEREAS, an issue arising out of the UCAP Action is on appeal before the United States Court of Appeals for the First Circuit (Appeal No. 08-1080) (the “First Circuit Appeal”);

WHEREAS, the Parties now desire to settle the FAF Action, the UCAP Action, the First Circuit Appeal and all claims and disputes arising out of the claims in those actions (collectively, the “Actions”);

NOW THEREFORE, in consideration of the mutual promises and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, it is agreed as follows:

1. This Settlement Agreement is contingent on the Rhode Island Public Utilities Commission (“RIPUC”) issuing an order not later than October 31, 2008 approving the Settlement Agreement without modification or condition, otherwise the Settlement Agreement becomes null and void.

2. To fully and finally resolve all claims asserted or that could have been asserted by the Parties in the Actions, the Parties agree that (1) National Grid will make a lump sum payment of twenty million dollars (\$20,000,000) to Constellation within ten (10) days of the Effective Date of this Settlement Agreement (the “Payment Date”), and (2) National Grid and

Constellation will amend the pricing and payment provisions of the WSOSAs by adding a monthly contract reservation charge applicable in 2009 of: (i) \$905,820.00 per month to the 20% WSOSA, and (ii) \$1,610,344.00 per month to the 36% WSOSA, each paid to Constellation on the last business day of each month, beginning January 30, 2009 and ending December 31, 2009.

3. To facilitate and provide for the monthly contract reservation charges in 2009, Constellation and National Grid shall execute a Second Amendment to each of the WSOSAs (the "Amendments") in the forms attached hereto as Exhibits A and B, such Amendments to be effective only from and after the Effective Date of this Agreement.

4. The payment and pricing amendments provided for in Paragraphs 2 and 3 above are intended to serve as a full and complete settlement of all claims and defenses that Constellation asserts or could have asserted in the Actions, and all claims and defenses that National Grid and the Division asserted or could have asserted in the Actions.

5. As of the Effective Date, Constellation, on behalf of itself and its successors, assigns, officers, directors, agents, partners, members, and affiliated entities, does hereby release National Grid and its successors, assigns, officers, directors, agents, partners, members, and affiliated entities from any and all claims, actions, and causes of action, known or unknown, which Constellation may have had or may now have at law or in equity against National Grid from the beginning of time to the date of this Settlement Agreement that (1) were or could have been asserted in the Actions; or (2) directly relate to the claims asserted in the Actions. Constellation warrants and represents that it has full authority to release the claims identified in this paragraph, and that it has not assigned any of those claims to any other party.

6. Constellation, on behalf of itself and its successors, assigns, officers, directors, agents, partners, members, and affiliated entities, covenants that it shall not commence, maintain

or otherwise participate in any action or suit thereon against any Party to this Settlement Agreement whether at law or in equity related to, arising out of, or in any way connected to any matter to which a release has been given pursuant to Section 5 of this Settlement Agreement.

7. As of the Effective Date, National Grid, on behalf of itself and its successors, assigns, officers, directors, agents, partners, members, and affiliated entities, does hereby release Constellation and its successors, assigns, officers, directors, agents, partners, members, and affiliated entities from any and all claims, actions, and causes of action, known or unknown, which National Grid may have had or may now have at law or in equity against Constellation from the beginning of time to the date of this Settlement Agreement that (1) were or could have been asserted in the Actions, or (2) directly relate to the claims asserted in the Actions. National Grid warrants and represents that it has full authority to release the claims identified in this paragraph, and that it has not assigned any of those claims to any other party.

8. National Grid, on behalf of itself and its successors, assigns, officers, directors, agents, partners, members, and affiliated entities, covenants that it shall not commence, maintain or otherwise participate in any action or suit thereon against any Party to this Settlement Agreement whether at law or in equity related to, arising out of, or in any way connected to any matter to which a release has been given pursuant to Section 7 of this Settlement Agreement.

9. As of the Effective Date, the Division, does hereby release Constellation and its successors, assigns, officers, directors, agents, partners, members, and affiliated entities from any and all claims, actions, and causes of action, known or unknown, which the Division may have had or may now have at law or in equity against Constellation from the beginning of time to the date of this Settlement Agreement that (1) were or could have been asserted in the Actions, or (2) directly relate to the claims asserted in the Actions. The Division warrants and represents that it

has full authority to release the claims identified in this paragraph, and that it has not assigned any of those claims to any other party.

10. The Division covenants that it shall not commence, maintain or otherwise participate in any action or suit thereon against any Party to this Settlement Agreement whether at law or in equity related to, arising out of, or in any way connected to any matter to which a release has been given pursuant to Section 9 of this Settlement Agreement.

11. Within five (5) business days of the Payment Date, the Parties, by their respective counsel, shall sign and file with the appropriate courts in the UCAP Action, the FAF Action, and the First Circuit Appeal, stipulations that dismiss with prejudice any and all claims and defenses (including counterclaims or cross-claims) or appeals, and that waive all claims for costs or fees and all rights to appeal.

12. The Parties agree that they shall use best reasonable efforts to secure expedited approval of this Settlement Agreement from the RIPUC by September 30, 2008 and that they shall not oppose or protest approval of this Settlement Agreement. Constellation shall have the right to review and comment on National Grid's filings with the RIPUC concerning this Settlement Agreement and the Amendments. Further, National Grid agrees that Constellation may attend, and shall make reasonable efforts to obtain approval from the RIPUC to the extent necessary for Constellation to attend, any and all conferences or hearings (including confidential hearings) concerning the Settlement and the Amendments. National Grid reserves the right to request from the Commission confidential treatment for portions of filings and portions of hearings in Docket No. 3969 only to the extent necessary to protect National Grid's assessment of its position in the Actions. The Parties agree that all matters in Docket No. 3969 related to the RIPUC's consideration or approval of this Settlement Agreement and the Amendments shall be

protected by Federal Rule of Evidence 408, such that no rulings or statements by the RIPUC or its counsel, statements by the Parties or their representatives, or statements by any other person during proceedings related to the consideration of this Settlement Agreement and the Amendments regarding the merits of the Actions or any Party's positions in the Actions shall be admissible as evidence in the Actions or in any other proceeding.

13. The "Effective Date" of this Settlement Agreement shall be the date on which the PUC order approving the Settlement Agreement, without condition or modification, becomes final because the appeal period has expired without any appeal being filed. This Settlement Agreement shall be null and void if the Effective Date does not occur on or before October 31, 2008.

14. This Settlement Agreement shall bind the Parties hereto, as well as each of their respective subsidiaries, successors and assigns. Each Party shall bear its own attorneys' fees and costs of executing, delivering and performing this Settlement.

15. This Settlement Agreement (including the Exhibits hereto) constitutes the entire agreement and understanding between the Parties with respect to the matters contained herein, and there are no prior oral or written promises, representations, warranties, conditions, provisions, or terms related thereto other than those set forth in this Settlement Agreement. No modification of the terms of this Settlement Agreement shall be made other than by a written modification signed by all Parties. The Parties further represent and acknowledge that, in entering into this Settlement Agreement they do not rely upon and have not relied upon any representations or statements beyond those contained in this Settlement Agreement.

16. This Settlement Agreement shall be construed in accordance with the laws of the State of Rhode Island, and any and all disputes arising from or relating thereto, or concerning

terms or interpretation of this Settlement Agreement, shall be resolved exclusively before the Rhode Island Federal Court.

17. Each of the parties hereby represents and warrants that its signatory to this Settlement Agreement is fully authorized to execute and deliver this Settlement Agreement on its behalf and that all requisite action on the part of that Party has been taken in order to legally bind the Party to the terms of this Settlement Agreement and the Exhibits hereto.

18. The Parties shall reasonably cooperate to effectuate the purposes of this Settlement Agreement. In addition, the Parties shall reasonably cooperate to secure the written approval of the RIPUC of this Settlement Agreement and the Amendments.

19. This Settlement Agreement may be executed in one or more counterparts, and with counterpart signature pages, each of which shall be deemed an original, but all of which together shall constitute one of the same instrument. Any such counterpart may be delivered by fax or email (with pdf attachment) and such faxed or emailed counterpart shall have the same force and effect as the original.

20. The execution of this Settlement Agreement and the payment of any monies hereunder by either of the Parties is an agreement of compromise, and shall not be deemed an admission by any such party of any of the claims made against such party, and no right shall inure to any third party from the representations and agreements of the Parties made herein.

(Remainder of Page Intentionally Blank)

SO AGREED:

CONSTELLATION ENERGY
COMMODITIES GROUP, INC.

Name: Stuart Rubenstein
Chief Operating Officer
Constellation Energy Resources, LLC
on behalf of Constellation Energy
Commodities Group, Inc.

Date:

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID

Name:

Date:

STATE OF RHODE ISLAND PROVIDENCE
PLANTATIONS, and the RHODE ISLAND
DIVISION OF PUBLIC UTILITIES
AND CARRIERS
By their attorney,

PATRICK C. LYNCH
ATTORNEY GENERAL

Name: Paul Roberti, Esq.
Assistant Attorney General
Leo Wold, Esq.
Special Assistant Attorney General
150 South Main Street
Providence, RI 02903
(401) 274-4400

Date:

SO AGREED:

CONSTELLATION ENERGY
COMMODITIES GROUP, INC.

Name: Stuart Rubenstein
Chief Operating Officer
Constellation Energy Resources, LLC
on behalf of Constellation Energy
Commodities Group, Inc.

Date:

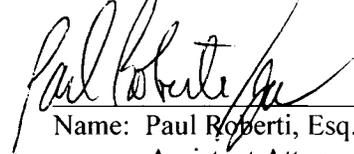
THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID



Name: Gerald J. Petrus
Date: 8/29/08

STATE OF RHODE ISLAND PROVIDENCE
PLANTATIONS, and the RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS
By their attorney,

PATRICK C. LYNCH
ATTORNEY GENERAL



Name: Paul Roberti, Esq.
Assistant Attorney General
Leo Wold, Esq.
Special Assistant Attorney General
150 South Main Street
Providence, RI 02903
(401) 274-4400

Date:

SO AGREED:

CONSTELLATION ENERGY
COMMODITIES GROUP, INC.



Name: Stuart Rubenstein
Chief Operating Officer
Constellation Energy Resources, LLC
on behalf of Constellation Energy
Commodities Group, Inc.

(26)

Date: 8/29/08

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID

Name:

Date:

STATE OF RHODE ISLAND PROVIDENCE
PLANTATIONS, and the RHODE ISLAND
DIVISION OF PUBLIC UTILITIES
AND CARRIERS
By their attorney,

PATRICK C. LYNCH
ATTORNEY GENERAL

Name:

Date:

EXHIBIT A

**AMENDMENT
to the
WHOLESALE STANDARD OFFER SERVICE AGREEMENT
between
THE NARRAGANSETT ELECTRIC COMPANY
and
CONSTELLATION ENERGY COMMODITIES GROUP INC.**

THIS AMENDMENT, dated as of September __, 2008 (the "Amendment"), is entered into between The Narragansett Electric Company ("NEC") and Constellation Energy Commodities Group Inc. ("Constellation"), hereinafter sometimes referred to individually as "Party" and collectively as the "Parties." Unless otherwise defined herein, all capitalized terms used in this Amendment shall be as defined in the 20% WSOSA.

WITNESSETH

WHEREAS, NEC (as successor to Blackstone Valley Electric Company ("Blackstone") and Newport Electric Company ("Newport")), and Constellation (as successor by name change to Constellation Power Source, Inc.) entered into that certain Wholesale Standard Offer Service Agreement dated as of December 21, 1998, as amended January 27, 2003, whereby Constellation serves 20.1775% of Blackstone's and Newport's Standard Offer Service under the agreement (the "20% WSOSA");

WHEREAS, the Parties disagree with respect to whether fuel adjustment factor payments are owed to Constellation after 2004 under the 20% WSOSA;

WHEREAS, in an effort to avoid further litigation over their disagreement, the Parties held settlement negotiations regarding the terms by which their disagreement might be settled;

WHEREAS, the Parties entered into a settlement agreement on August 29, 2008 resolving (among other things) all disputes and claims relating to whether fuel adjustment factor payments are owed to Constellation after 2004 under the 20% WSOSA (the "Settlement Agreement");

WHEREAS, the Settlement Agreement, with the support of the Attorney General of Rhode Island and the Rhode Island Division Of Public Utilities and Carriers, has been approved by the Rhode Island Public Utilities Commission; and

WHEREAS, the Parties agree that in order to effectuate the Settlement Agreement the 20% WSOSA shall be amended as set forth herein;

NOW THEREFORE in consideration of the foregoing and the mutual agreements herein, together with other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be bound hereby, agree that:

1. Amendment to Article 5. Article 5 of the 20% WSOSA is amended as follows:

(i) delete the formula:

“Price = Standard Offer Wholesale Price + Fuel Adjustment Factor”

and replace that deleted formula with:

“Price = Standard Offer Wholesale Price”;

(ii) delete the following paragraph in its entirety:

“Fuel Adjustment Factor is a cents per kilowatt-hour adder based on the incremental revenues collected, if any, attributed to the operation of the Retail Standard Offer Fuel Index (“Fuel Index”) mechanism in the Companies’ Standard Offer Service tariffs. The revenues attributed to the Fuel Index will be fully allocated to suppliers in proportion to the Standard Offer Service energy provided by each supplier for the applicable billing month through Fuel Adjustment Factor to be paid to Supplier, will be made subject to regulatory approval and only to the extent that the Companies are allowed to collect such revenues from their retail customers taking Standard Offer Service.”

(iii) add the following to the end of Article 5 as a new paragraph:

“In addition to the foregoing, on or before the last business day of each month in 2009 (referred to in the chart below as, the “Payment Due Date”), Company shall pay Supplier the ‘Contract Reservation Charge’ amount specified in the chart below corresponding to the appropriate Payment Due Date.

Payment Due Date	Contract Reservation Charge
January 30, 2009	\$905,820.00
February 27, 2009	\$905,820.00
March 31, 2009	\$905,820.00
April 30, 2009	\$905,820.00
May 29, 2009	\$905,820.00
June 30, 2009	\$905,820.00
July 31, 2009	\$905,820.00
August 31, 2009	\$905,820.00
September 30, 2009	\$905,820.00
October 30, 2009	\$905,820.00
November 30, 2009	\$905,820.00
December 31, 2009	\$905,820.00

The Parties agree that the Contract Reservation Charge is not subject to adjustments, modifications, reduction, setoff, taxes, fees or levies and must be paid in full on or before the Payment Due Date.”

2. Entire Agreement. This Amendment constitutes the entire agreement and understanding of the Parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.
3. Amendments. No amendment, modification or waiver in respect of any provision of this Amendment shall be effective unless given in writing (including a writing evidenced by a facsimile transmission) and executed by both of the Parties.
4. Successors and Permitted Assigns. This Amendment shall inure to the benefit of the Parties, their successors and their permitted assigns.
5. Representation and Warranty. Each Party represents and warrants to the other that: (i) the execution, delivery and performance of this Amendment is within such Party's corporate authority, (ii) the execution, delivery and performance of this Amendment have been duly authorized by all necessary corporate action, (iii) all necessary regulatory approvals, if any, have been obtained and (iv) upon execution and delivery this Amendment shall constitute the legal, valid and binding obligations of such Party enforceable against it in accordance with the terms hereof.
6. Counterparts. This Amendment may be executed in one or more counterparts each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.
7. Governing Law. This Amendment shall be governed by and construed in accordance with the governing law provided in the 20% WSOSA.
8. Resolution of Disputes. All disputes between the Parties resulting from, or arising out of, this Amendment shall be governed by Article 13 of the 20% WSOSA.
9. Legal Fees. Each Party shall bear its own attorneys' fees and costs in connection with the execution and delivery of this Amendment.

(Remainder of Page Intentionally Blank)

IN WITNESS WHEREOF the Parties hereto have executed this Amendment as of the date first above written.

**THE NARRAGANSETT ELECTRIC
COMPANY**

**CONSTELLATION ENERGY
COMMODITIES GROUP INC.**

By: _____

By: _____

Name:
Title:

Name:
Title:

EXHIBIT B

AMENDMENT
to the
WHOLESALE STANDARD OFFER SERVICE AGREEMENT
between
THE NARRAGANSETT ELECTRIC COMPANY
and
CONSTELLATION ENERGY COMMODITIES GROUP INC.

THIS AMENDMENT, dated as of September __, 2008 (the "Amendment"), is entered into between The Narragansett Electric Company ("NEC") and Constellation Energy Commodities Group Inc. ("Constellation"), hereinafter sometimes referred to individually as "Party" and collectively as the "Parties." Unless otherwise defined herein, all capitalized terms used in this Amendment shall be as defined in the 36% WSOSA.

WITNESSETH

WHEREAS, NEC (as successor to Blackstone Valley Electric Company ("Blackstone") and Newport Electric Company ("Newport")), and Constellation (as successor by name change to Constellation Power Source, Inc.) entered into that certain Wholesale Standard Offer Service Agreement dated as of December 21, 1998, as amended January 27, 2003, whereby Constellation serves 35.7695 % of Blackstone's and Newport's Standard Offer Service under the agreement (the "36% WSOSA");

WHEREAS, the Parties disagree with respect to whether fuel adjustment factor payments are owed to Constellation after 2004 under the 36% WSOSA;

WHEREAS, in an effort to avoid further litigation over their disagreement, the Parties held settlement negotiations regarding the terms by which their disagreement might be settled;

WHEREAS, the Parties entered into a settlement agreement on August 29, 2008 resolving (among other things) all disputes and claims relating to whether fuel adjustment factor payments are owed to Constellation after 2004 under the 36% WSOSA (the "Settlement Agreement");

WHEREAS, the Settlement Agreement, with the support of the Attorney General of Rhode Island and the Rhode Island Division Of Public Utilities and Carriers, has been approved by the Rhode Island Public Utilities Commission; and

WHEREAS, the Parties agree that in order to effectuate the Settlement Agreement the 36% WSOSA shall be amended as set forth herein;

NOW THEREFORE in consideration of the foregoing and the mutual agreements herein, together with other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be bound hereby, agree that:

1. Amendment to Article 5. Article 5 of the 36% WSOSA is amended as follows:

(i) delete the formula:

“Price = Standard Offer Wholesale Price + Fuel Adjustment Factor”

and replace that deleted formula with:

“Price = Standard Offer Wholesale Price”;

(ii) delete the following paragraph in its entirety:

“Fuel Adjustment Factor is a cents per kilowatt-hour adder based on the incremental revenues collected, if any, attributed to the operation of the Retail Standard Offer Fuel Index (“Fuel Index”) mechanism in the Companies’ Standard Offer Service tariffs. The revenues attributed to the Fuel Index will be fully allocated to suppliers in proportion to the Standard Offer Service energy provided by each supplier for the applicable billing month through Fuel Adjustment Factor to be paid to Supplier, will be made subject to regulatory approval and only to the extent that the Companies are allowed to collect such revenues from their retail customers taking Standard Offer Service.”

(iii) add the following to the end of Article 5 as a new paragraph:

“In addition to the foregoing, on or before the last business day of each month in 2009 (referred to in the chart below as, the “Payment Due Date”), Company shall pay Supplier the ‘Contract Reservation Charge’ amount specified in the chart below corresponding to the appropriate Payment Due Date.

Payment Due Date	Contract Reservation Charge
January 30, 2009	\$1,610,344.00
February 27, 2009	\$1,610,344.00
March 31, 2009	\$1,610,344.00
April 30, 2009	\$1,610,344.00
May 29, 2009	\$1,610,344.00
June 30, 2009	\$1,610,344.00
July 31, 2009	\$1,610,344.00
August 31, 2009	\$1,610,344.00
September 30, 2009	\$1,610,344.00
October 30, 2009	\$1,610,344.00
November 30, 2009	\$1,610,344.00
December 31, 2009	\$1,610,344.00

The Parties agree that the Contract Reservation Charge is not subject to adjustments, modifications, reduction, setoff, taxes, fees or levies and must be paid in full on or before the Payment Due Date.”

2. Entire Agreement. This Amendment constitutes the entire agreement and understanding of the Parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.
3. Amendments. No amendment, modification or waiver in respect of any provision of this Amendment shall be effective unless given in writing (including a writing evidenced by a facsimile transmission) and executed by both of the Parties.
4. Successors and Permitted Assigns. This Amendment shall inure to the benefit of the Parties, their successors and their permitted assigns.
5. Representation and Warranty. Each Party represents and warrants to the other that: (i) the execution, delivery and performance of this Amendment is within such Party's corporate authority, (ii) the execution, delivery and performance of this Amendment have been duly authorized by all necessary corporate action, (iii) all necessary regulatory approvals, if any, have been obtained and (iv) upon execution and delivery this Amendment shall constitute the legal, valid and binding obligations of such Party enforceable against it in accordance with the terms hereof.
6. Counterparts. This Amendment may be executed in one or more counterparts each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.
7. Governing Law. This Amendment shall be governed by and construed in accordance with the governing law provided in the 36% WSOSA.
8. Resolution of Disputes. All disputes between the Parties resulting from, or arising out of, this Amendment shall be governed by Article 13 of the 36% WSOSA.
9. Legal Fees. Each Party shall bear its own attorneys' fees and costs in connection with the execution and delivery of this Amendment.

(Remainder of Page Intentionally Blank)

IN WITNESS WHEREOF the Parties hereto have executed this Amendment as of the date first above written.

**THE NARRAGANSETT ELECTRIC
COMPANY**

**CONSTELLATION ENERGY
COMMODITIES GROUP INC.**

By: _____

By: _____

Name:
Title:

Name:
Title:

CERTIFICATION

I hereby certify that I mailed a copy of the within Motion to Approve Settlement Agreement to counsel of record, as set forth below, on August 29, 2008.

Name/Address	E-mail Distribution	Phone/FAX
Thomas R. Teehan, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Thomas.teehan@us.ngrid.com	401-784-7667
	Joanne.scanlon@us.ngrid.com	401-784-4321
	Ronald.gerwatowski@us.ngrid.com	
Gerald Petros, Esq. Hinckley, Allen & Snyder 50 Kennedy Plaza, Suite 1500 Providence RI 02903	gpetros@haslaw.com	401-274-2000
Paul Roberti, Esq. (for Division) Dept. of Attorney General 150 South Main St. Providence, RI 02903	Proberti@riag.ri.gov	401-222-2424
	Steve.scialabba@ripuc.state.ri.us	401-222-3016
	Mtobin@riag.ri.gov	
	Kzelano@riag.ri.gov	
Original & nine (9) copies file w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02889	Lmassaro@puc.state.ri.us	401-780-2107
	Plucarelli@puc.state.ri.us	401-941-1691
	Anault@puc.state.ri.us	
Kenneth W. Irvin, Esq. McDermott, Will & Emery LLP 600 13th Street, NW Washington, DC 20005	kirvin@mwe.com	202-756-8116 202-756-8087
Charles Henderson, Esq. Stacey Nakasian, Esq. Duffy Sweeney & Scott, Ltd. One Turks Head Plaza, Suite 1200 Providence, RI 02903	chenderson@duffysweeney.com snakasian@duffysweeney.com	401-455-0700

