

October 29, 2008

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. 2006,
Qualifying Facilities Power Purchase Rate
Docket No. 3999**

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. 2006 ("QF Rate"), to be effective January 1, 2009. The proposed revisions to the Company's QF Rate are necessary to implement the amended provisions of R.I.G.L. Sections 39-26-2 and 39-26-6 (g)-(k), which were enacted on July 5, 2008 and require that certain changes regarding distributed generation from renewable energy systems be made effective January 1, 2009.

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 *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. 2006 has been in effect since January 1, 2008 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.

¹ Submitted on behalf of 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 1.65 megawatts (MW); and to 3.5 megawatts for eligible net-metered renewable energy systems owned by cities and towns of Rhode Island and the Narragansett Bay Commission. The amended legislation also contains adds a provision allowing eligible net-metered renewable energy systems developed but not owned by cities and towns, located on city or town owned land, and providing power solely to the city or town where the project is located an increase to a maximum of 2.25 MW eligible net-metered renewable energy systems . In addition, the amendment increases the aggregate amount of net metering allowed on the system to a maximum of 2 percent (2%) of peak load provided that at least one MW be reserved for projects less than twenty-five (25) kilowatts (kW).

The amendment also provides that if electricity generated by the renewable generation facility exceeds the customer's usage, the customer will be billed for zero usage and the excess generation will be credited to the customer's account for the following billing period. Unused credits being carried forward from month to month for a twelve-month period. A Rhode Island city or town, educational institution, farm or the Narragansett Bay Commission may apply such credits to another account, while a non-profit affordable housing project may apply those credits to certain other accounts. Conversely, if a customer's usage exceeds the electricity generated by the renewable generation facility during a billing period, the customer will be billed for the net usage. Any unused credits remaining at the end of the twelve month period will be transferred to the renewable energy low income fund, which the Commission is to establish.

R.I.G.L. §39-26-6 (h) allows the Company to recover any prudent and reasonable costs incurred pursuant to achieving compliance with subsection (g) and the annual amount of the distribution component of any renewable generation credits provided to net metering customers through a surcharge to all customers embedded in the distribution component of the rates reflected on customers' bills.

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 qualifying facilities that utilize solar or wind technology are eligible for net-metering:
 - i. Facilities with generating capacity of 1.65 MW or less; and

- ii. Facilities with generating capacity of 2.25 MW or less and are developed but not owned by cities or towns, but are located on city or town owned land and provide power solely to the city or town that the project is located in;
 - iii. Facilities with generating capacity of 3.5 MW or less and are owned by cities and towns of Rhode Island and 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 (1) has been revised to reflect the crediting of excess kilowatt hours generated as well as transfer of any unused credits at the end of the netting period to the renewable energy low income fund or, in the case of a city, town, educational institution, farm, the Narragansett Bay Commission, or a non-profit affordable housing development to certain other accounts.
 - Section III.B (2)(d) has been revised to reflect that net metering will be limited to a maximum of two percent of peak load of aggregate installed capacity, an increase to the current limit of five MW. Upon reaching this maximum, the Company shall notify the Commission.
 - Section III.B(3) is changed to refer to the per kWh basis for assessing charges as defined in Section III.B(1).
 - Section III.B (5) has been changed to reflect the amended language of Section 39-26-6(h), which allows the Company to recover any prudent and reasonable costs incurred by the Company pursuant to achieving compliance with Rhode Island General Laws Section 39-26-6 (g) and the annual amount of the distribution portion of the Renewable Generation Credits provided to Net-Metering Facilities shall be aggregated by the Company and recovered from all customers through a uniform per kWh-hour surcharge embedded in the distribution component of the rates reflected on customer bills.

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 an updated address for notifications to the Company.
- Section II.9 has an added requirement that for any perceived errors or omissions in the data reported to NEPOOL or ISO-NE or the transactions from ISO-NE to the

Luly E. Massaro, Commission Clerk
Tariff Advice Filing - Amend R.I.P.U.C. No. 2006
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Company or qualifying facility, the qualifying facility must notify the Company within 30 days of such error or omission occurring.

- Section IV has been amended to set out the method of selection of the appropriate retail rate based on the generating capacity of a qualifying facility.

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,

A handwritten signature in blue ink, appearing to read "T. R. Teehan".

Thomas R. Teehan

Enclosures

cc: Paul Roberti, Esq.
Steve Scialabba, Division

**National Grid
Tariff Advice Filing**

**To Amend
R.I.P.U.C. No. 2000**

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 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
Energy Portfolio Management Group
National Grid USA Service Company, Inc.
100 East Old Country Rd.
Hicksville, NY 11801

Deleted: 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. For any perceived errors or omissions in the data reported to NEPOOL or ISO-NE or the transactions from ISO-NE to the Company or qualifying facility, the qualifying facility must notify the Company within 30 days of such error or omission occurring.

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 utilize solar or wind technology and (i) are 1.65 megawatt (MW) or less, or (ii) are 2.25 MW or less and are developed but not owned by cities or towns, but are located on city or town owned land and provide power solely to the city or town that the project is located in, or (iii) are 3.5 MW or less and are owned by cities and towns of Rhode

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Island ~~and~~ the Narragansett Bay Commission, ~~the~~ Company will permit the Net-Metering Facility (NMF) to deliver electricity to the Company through net metering as specified below:

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- (1) The customer’s usage and generation will be netted for a twelve-month period beginning on January of each year¹. If the electricity generated by the NMF during a billing period exceeds the customer’s kWh usage during the billing period, the customer shall be billed for zero kilowatt-hour usage and a Renewable Generation Credit shall be applied to the customer’s account in the following billing period. Renewable Generation Credit shall be defined as the credit equal to the excess kilowatthours generated multiplied by the sum of 1) the Standard Offer or Last Resort Service charge, if applicable; 2) the distribution kWh charge for the applicable rate class; 3) the transmission kWh charges for the applicable rate class; and 4) the transition charge. Any unused credits remaining on the customer account at the end of the netting period shall be transferred to the renewable energy low income fund set forth in Rhode Island General Law subsection 39-26-6(j). Any Rhode Island city or town, educational institution, farm, or the Narragansett Bay Commission, whose account is not currently in arrears, may elect to apply any such credits earned to another account owned by it. Non-profit affordable housing as defined by Rhode Island General Law subsection 39-26-2(19) may elect to apply any such credits earned to a maximum of five other accounts within the eligible affordable housing development. Customers eligible under the provisions of this section to transfer credits will be required to complete Schedule B.

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Deleted: Any generation credits remaining at the end of the calendar year may be carried forward to the subsequent calendar year, but must be used by December 31 of such subsequent year.

¹The 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.

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(2) A ~~maximum~~ of ~~two percent (2%) of peak load~~ of aggregate installed capacity shall be allowed to be net metered, provided, however, at least one (1) megawatt is reserved for projects less than twenty-five (25) kilowatts (kW). Upon reaching this ~~maximum~~, the Company shall notify the Public Utilities Commission.

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(3) Net metering shall be limited to charges assessed on a per kilowatt-hour basis ~~as defined in Section III.B(1)~~. 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), ~~any prudent and reasonable costs incurred by the Company pursuant to achieving compliance with Rhode Island General Laws §39-26-6(g) and the annual amount of the~~ distribution portion of any ~~Renewable Generation Credits provided to NMFs~~, shall be aggregated on an annual basis by the Company and recovered from all customers through a uniform per kWh-hour surcharge ~~embedded in the distribution component of the rates reflected on customer bills~~.

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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. The selection of the appropriate retail rate will be determined as follows:

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- 1) for qualifying facilities with generating capacity of less than 10kW, the appropriate residential or small general service rate will apply unless the customer's load necessitates use of G-02, G-32, or G-62 rate;
- 2) for qualifying facilities with generating capacity of at least 10kW but not more than 200 kW, Rate G-02 will apply, unless the customer's load necessitates the use of the G-32 or G-62 rate;
- 3) for qualifying facilities with generating capacity of at least 200kW but not more than 3,000 kW, Rate G-32 will apply unless the customer's load necessitate the use of the G-62 rate;
- 4) for qualifying facilities with generating capacity of 3,000 kW or more, Rate G-62 will apply;

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Effective January 1, 2009

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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

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Schedule B

THE NARRAGANSETT ELECTRIC COMPANY
NET-METERING APPLICATION OF CREDITS

The Agreement is between _____, a Net-Metered Facility (“NMF”) and The Narragansett Electric Company (the “Company”) for transfer of credits earned through net-metering as per section III.B(1) from the NMF located at _____, Rhode Island.

Agreement to apply credits earned by the NMF

Effective as of _____, the Company agrees to transfer credits to the following account designated by the NMF 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 NMF agrees to comply with the provisions of the Qualifying Facilities Power Purchase Rate Tariff, the applicable retail delivery tariffs and terms and conditions for service 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.

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Designated Account

Account name, address, and account number:

Name: _____
Address: _____
Account number: _____
Percentage of monthly earned credit: _____

The Company will credit the NMF and it’s designated account the rates in effect at the time of delivery as provided for in the Qualifying Facilities Power Purchase Rate Tariff.

Notice

The Company or NMF may terminate this agreement on thirty (30) days written notice which includes a statement of reasons for such termination. In addition the NMF must re-file this agreement annually.

Agreed and Accepted

Customer Date

R.I.P.U.C. No. ~~2010~~
Canceling R.I.P.U.C. No. ~~2006~~
Sheet 11

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The Narragansett Electric Company _____ Date _____

**National Grid
Tariff Advice Filing**

**To Amend
R.I.P.U.C. No. 2000**

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
Energy Portfolio Management Group
National Grid USA Service Company, Inc.
100 East Old Country Rd.
Hicksville, NY 11801

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. For any perceived errors or omissions in the data reported

to NEPOOL or ISO-NE or the transactions from ISO-NE to the Company or qualifying facility, the qualifying facility must notify the Company within 30 days of such error or omission occurring.

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 utilize solar or wind technology and (i) are 1.65 megawatt (MW) or less , or (ii) are 2.25 MW or less and are developed but not owned by cities or towns, but are located on city or town owned land and provide power solely to the city or town that the project is located in, or (iii) are 3.5 MW or less and are owned by cities and towns of Rhode

Island and the Narragansett Bay Commission, the Company will permit the Net-Metering Facility (NMF) 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. If the electricity generated by the NMF during a billing period exceeds the customer's kWh usage during the billing period, the customer shall be billed for zero kilowatt-hour usage and a Renewable Generation Credit shall be applied to the customer's account in the following billing period. Renewable Generation Credit shall be defined as the credit equal to the excess kilowatt-hours generated multiplied by the sum of 1) the Standard Offer or Last Resort Service charge, if applicable; 2) the distribution kWh charge for the applicable rate class; 3) the transmission kWh charges for the applicable rate class; and 4) the transition charge. Any unused credits remaining on the customer account at the end of the netting period shall be transferred to the renewable energy low income fund set forth in Rhode Island General Law subsection 39-26-6(j). Any Rhode Island city or town, educational institution, farm, or the Narragansett Bay Commission, whose account is not currently in arrears, may elect to apply any such credits earned to another account owned by it. Non-profit affordable housing as defined by Rhode Island General Law subsection 39-26-2(19) may elect to apply any such credits earned to a maximum of five other accounts within the eligible affordable housing development. Customers eligible under the provisions of this section to transfer credits will be required to complete Schedule B.

¹The 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.

- (2) A maximum of two percent (2%) of peak load of aggregate installed capacity shall be allowed to be net metered provided, however, at least one (1) megawatt is reserved for projects less than twenty-five (25) kilowatts (kW). Upon reaching this maximum, the Company shall notify the Public Utilities Commission.
- (3) Net metering shall be limited to charges assessed on a per kilowatt-hour basis as defined in Section III.B(1) . 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), any prudent and reasonable costs incurred by the Company pursuant to achieving compliance with Rhode Island General Laws §39-26-6(g) and the annual amount of the distribution portion of any Renewable Generation Credits provided to NMFs shall be aggregated on an annual basis by the Company and recovered from all customers through a uniform per kWh-hour surcharge embedded in the distribution component of the rates reflected on customer bills.

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. The selection of the appropriate retail rate will be determined as follows:

- 1) for qualifying facilities with generating capacity of less than 10kW, the appropriate residential or small general service rate will apply unless the customer's load necessitates use of G-02, G-32, or G-62 rate;
- 2) for qualifying facilities with generating capacity of at least 10kW but not more than 200 kW, Rate G-02 will apply, unless the customer's load necessitates the use of the G-32 or G-62 rate;
- 3) for qualifying facilities with generating capacity of at least 200kW but not more than 3,000 kW, Rate G-32 will apply unless the customer's load necessitate the use of the G-62 rate;
- 4) for qualifying facilities with generating capacity of 3,000 kW or more, Rate G-62 will apply;

Effective January 1, 2009

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

Schedule B

THE NARRAGANSETT ELECTRIC COMPANY
NET-METERING APPLICATION OF CREDITS

The Agreement is between _____, a Net-Metered Facility (“NMF”) and The Narragansett Electric Company (the “Company”) for transfer of credits earned through net-metering as per section III.B(1) from the NMF located at _____, Rhode Island.

Agreement to apply credits earned by the NMF

Effective as of _____, the Company agrees to transfer credits to the following account designated by the NMF 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 NMF agrees to comply with the provisions of the Qualifying Facilities Power Purchase Rate Tariff, the applicable retail delivery tariffs and terms and conditions for service 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.

Designated Account

Account name, address, and account number:

Name: _____

Address: _____

Account number: _____

Percentage of monthly earned credit: _____

The Company will credit the NMF and it’s designated account the rates in effect at the time of delivery as provided for in the Qualifying Facilities Power Purchase Rate Tariff.

Notice

The Company or NMF may terminate this agreement on thirty (30) days written notice which includes a statement of reasons for such termination. In addition the NMF must re-file this agreement annually.

Agreed and Accepted

Customer

Date

The Narragansett Electric Company

Date

DRAFT 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 October 29, 2008, the Company filed by Tariff Advice a revision to its Qualifying Facilities Power Purchase Rate in order to implement the recently amended provisions of Sections 39-26-2 and 39-26-6(g) through (k) 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, 2009. This filing has been docketed as R.I.P.U.C. Docket No. 3999. 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.