

July 25, 2011

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 for Approval of Net Metering Provision and to Amend R.I.P.U.C. No. 2035, Qualifying Facilities Power Purchase Rate

Dear Ms. Massaro:

Pursuant to Commission Rule 1.9, 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 2035 ("QF Rate") and to establish a separate Net Metering Provision, to be effective September 1, 2011. The proposed revisions to the Company's tariffs are necessary to implement the provisions of R.I.G.L. §§ 39-26.2-1 et seq. (the "Net Metering Act") and revisions to R.I.G.L. §39-26-6 (the "Renewable Energy Standard"), which were enacted on June 29, 2011.

Attached to this letter are copies of the proposed new Net Metering Provision as well as the proposed QF Rate amendments, which have been marked to show changes from the QF Rate currently in effect. The Company has also enclosed a draft of a notice to be published in the *The Providence Journal* to notify the public of the filing.

Background

The Company's current QF Rate, R.I.P.U.C. 2035 has been in effect since September 2009 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. Those net metering portions of the QF Rate were designed to reflect the statutory provisions relating to net metering that were formerly found in R.I.G.L. §39-26-6 (the "Renewable Energy Standard").

On June 29, 2011, the Legislature deleted the net metering provisions from the Renewable Energy Standard, and in their place the Net Metering Act was established as a new comprehensive set of rules governing net metering in Rhode Island. In order to reflect those legislative developments, the Company has deleted the net metering provisions that had formerly resided in its QF Rate and has submitted for approval a separate Net Metering Provision reflecting the requirements of the new Net Metering Act. That law clarifies the net metering rules in Rhode Island, and it includes the following significant provisions:

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

- Eligible Net Metering Systems must be reasonably designed and sized to annually produce electricity in an amount that is equal to or less than the renewable self-generator's usage at the eligible Net Metering System Site.
- Introduction of Renewable Net Metering Credits that can be used to offset up to 100 percent of the usage at the Eligible Net Metering System Site and the introduction of Excess Renewable Net Metering Credits, based on avoided costs defined to be the Company's Standard Offer Service rate, that will apply to that portion of the renewable self-generator's production of electricity beyond one hundred percent and no greater than one hundred and twenty-five percent of the renewable self-generator's own consumption at the net metering site.
- In the case of Net Metering Systems owned by or operated on behalf of a municipality or a multi-municipal collaborative through a net metering financing arrangement, eligibility of the accounts of municipality or multi-municipal collaborative to be eligible for net metering.
- Establishment of a maximum allowable nameplate capacity of five megawatts for eligible net metering systems and provision that the aggregate amount of net metering in Rhode Island shall not exceed three percent of peak load.
- Billing plans through which net metering credits may be applied to offset a net metering customer's usage and for payment of excess renewable net metering credits.
- Allowance for the Company's recovery of prudent and reasonable costs to achieve compliance with the statute's requirements and of the amount of the distribution component of net metering credits provided to accounts associated with eligible net metering systems.

The Company's proposed Net Metering Provision and QF Rate revisions also include administrative provisions relating to compliance with ISO-NE, NEPOOL, and existing interconnection requirements. In addition, Section III of the QF Rate had been revised to indicate that payments to renewable QFs for excess generation will be based upon the Company's Standard Offer rates, defined in the Net Metering Act to be the Company's avoided cost.

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,



Thomas R. Teehan

Enclosures

cc: Steve Scialabba
Leo Wold, Esq.

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, Wholesale Electric Supply
Energy Procurement
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). The Company is not obligated to seek to obtain capacity market payments from ISO-NE for qualifying facilities. 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

Rates for Qualifying Facilities

For qualifying facilities not eligible for net metering under the Company's Net Metering Provision, R.I.P.U.C. No. 2075, as amended and superseded from time to time, the Company will pay the following rates:

1. For facilities meeting the definition of renewable energy resources as defined in R.I.G.L. Section 39-26-5, the Company will pay the Standard Offer Service rate for the applicable retail delivery rate as determined in Section IV for each kilowatt-hour generated in excess of the facility requirements.

2. For all other qualifying facilities, the Company will pay the hourly clearing prices at the ISO-NE for the hours in which the qualifying facility generated electricity in excess of its requirements. Additionally, the Company shall make payments to a qualifying facility for capacity and/or reserves-related products if the sale is recognized by NEPOOL or ISO-NE as a capacity and/or reserves-related product sale. The Company shall pay rates equal to the payments received for the sale of any capacity and/or reserves-related products associated with such qualifying facility output to ISO power exchange.

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 serving non-profit affordable housing, Residential Rate A-16 will apply;
- 3) 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;

- 4) 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;
- 5) for qualifying facilities with generating capacity of 3,000 kW or more, Rate G-62 will apply.

Effective: September 1, 2011

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, the Company’s Standards for Connecting Distributed Generation, as currently in effect or as amended from time to time, 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

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~~Wholesale Electric Supply
Energy ~~Portfolio Management Group~~Procurement
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). The Company is not obligated to seek to obtain capacity market payments from ISO-NE for qualifying facilities. 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 eligible for exempted by the net metering under the Company's Net Metering Provision, R.I.P.U.C. No. 2075, as amended and superseded from time to time provisions in section B below, the Company will pay the following rates:

1. For facilities meeting the definition of renewable energy resources as defined in R.I.G.L. Section 39-26-5, the Company will pay the Standard Offer Service rate for the applicable retail delivery rate as determined in Section IV for each kilowatt-hour generated in excess of the facility requirements.

2. For all other qualifying facilities, the Company will pay the hourly clearing prices at the ISO-NE for the hours in which the qualifying facility generated electricity in excess of its requirements. Additionally, the Company shall make payments to a qualifying facility for capacity and/or reserves-related products if the sale is recognized by NEPOOL or ISO-NE as a capacity and/or reserves-related product sale. The Company shall pay rates equal to the payments received for the sale of any capacity and/or reserves-related products associated with such qualifying facility output to ISO power exchange.~~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 entirely owned by cities and towns of Rhode Island, state agencies 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~~

¹The initial netting period will be from the date of the first meter read after the commencement of operation of the

~~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. Renewable generation credit shall be defined as the credit equal to the excess kilo-watthours 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. Unless otherwise requested by the customer, the customer shall be compensated monthly by a check from the Company for the Renewable Generation Credits. Upon request by the customer, the renewable generation credit may be credited to the customer's bill in the following billing period and carried forward to subsequent billing periods through the end of the netting period. Any unused credits remaining on the customer account at the end of the netting period shall used to offset recoverable Company costs. Any Rhode Island city or town, state agency, educational institution, non-profit affordable housing, farm, or the Narragansett Bay Commission, whose account is not currently in arrears, may elect to apply any such credits earned to other accounts, up to a maximum of ten, owned by it. Non-profit affordable housing as defined by Rhode Island General Law subsection 39-26-2(19) shall use the Renewable Generation Credits to benefit the residents of the eligible affordable housing development. All Customers eligible under the provisions of this section will be required to complete Schedule B.~~

~~(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:

operation.

- 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 serving non-profit affordable housing, Residential Rate A-16 will apply;
- 3) 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;
- 4) 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;
- 5) for qualifying facilities with generating capacity of 3,000 kW or more, Rate G-62 will apply.

Effective: ~~September 14, 2009~~ September 1, 2011

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, the Company’s Standards for Connecting Distributed Generation, as currently in effect or as amended from time to time, -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 application of credits earned through net metering as per section III.B(1) from the NMF located at _____, Rhode Island.~~

~~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.~~

~~Agreement to apply credits earned by the NMF~~

~~Effective as of _____, the customer requests and the Company agrees that the application of renewable generation credits applicable to the NMF will be as follows (choose one):~~

~~_____ Renewable generation credit should be applied to account of NMF customer of record in the month following the month that the credit is earned. This credit will carry forward from month to month through the end of the twelve month netting period.~~

~~_____ Renewable generation credit should be submitted to the NMF customer of record in the form of a monthly check from the Company and should be remitted to (Customers should consult their tax attorney on the tax implications of this option):~~

~~_____ Name (to appear on the check):~~

~~_____~~

~~_____~~

~~Address:~~

~~_____~~

~~_____~~

~~_____~~

~~_____ Renewable Generation credit should be applied to the following account(s) 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. This option is available only to accounts of Rhode Island cities or towns, state agencies, educational institutions, non-profit affordable housing, farms, or the Narragansett Bay Commission.~~

Designated Account(s)

The following information must be provided for each individual designated account (up to a maximum of ten (10)):

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

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

Notice

~~Execution of this agreement will cancel any previous agreement for the qualified facility or net metered account under the Qualifying Facilities Power Purchase Rate Tariff.~~

~~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

THE NARRAGANSETT ELECTRIC COMPANY
NET METERING PROVISION

I. Definitions

“**Company**” shall mean The Narragansett Electric Company d/b/a National Grid.

“**Commission**” shall mean the Rhode Island Public Utilities Commission.

“**Eligible Net Metering Resource**” shall mean eligible renewable energy resource as defined in R.I.G.L. Chapter 39-26-5 including biogas created as a result of anaerobic digestion, but, specifically excluding all other listed eligible biomass fuels.

“**Eligible Net Metering System**” shall mean a facility generating electricity using an Eligible Net Metering Resource that is reasonably designed and sized to annually produce electricity in an amount that is equal to or less than the Renewable Self-generator’s usage at the Eligible Net Metering System Site measured by the three (3) year average annual consumption of energy over the previous three (3) years at the electric distribution account(s) located at the Eligible Net Metering System Site. A projected annual consumption of energy may be used until the actual three (3) year average annual consumption of energy over the previous three (3) years at the electric delivery service account(s) located at the Eligible Net Metering System Site becomes available for use in determining eligibility of the generating system. The Eligible Net Metering System must be owned by the same entity that is the customer of record on the Net Metered Accounts. Notwithstanding any other provisions of this chapter, any Eligible Net Metering Resource: (i) owned by a municipality or Multi-municipal Collaborative or (ii) owned and operated by a renewable generation developer on behalf of a municipality or Multi-municipal Collaborative through a Municipal Net Metering Financing Arrangement shall be treated as an Eligible Net Metering System and all municipal delivery service accounts designated by the municipality or Multi-municipal Collaborative shall be eligible for net metering within an Eligible Net Metering System Site.

“**Eligible Net Metering System Site**” shall mean the site where the Eligible Net Metering System is located or is part of the same campus or complex of sites contiguous to one another and the site where the Eligible Net Metering System is located or a farm in which the Eligible Net Metering System is located. Except for an Eligible Net Metering System owned by or operated on behalf of a municipality or multi-municipal collaborative through a municipal net metering financing arrangement, the purpose of this definition is to reasonably assure that energy generated by the Eligible Net Metering System is consumed by net metered electric delivery service account(s) that are actually located in the same geographical location as the Eligible Net Metering System. Except for an Eligible Net Metering System owned by or operated on behalf of a municipality or Multi-municipal Collaborative through a Municipal Net Metering Financing Arrangement, all of the Net Metered Accounts at the Eligible Net Metering System Site must be the accounts of the same customer of record and customers are not permitted to enter into agreements or arrangements to change the name on accounts for the purpose of artificially expanding the Eligible Net Metering System Site to contiguous sites in an attempt to avoid this restriction. However, a property owner may change the nature of the metered service at the

delivery service accounts at the site to be master metered (as allowed by applicable state law) in the owner's name, or become the customer of record for each of the delivery service accounts, provided that the owner becoming the customer of record actually owns the property at which the delivery service account is located. As long as the Net Metered Accounts meet the requirements set forth in this definition, there is no limit on the number of delivery service accounts that may be net metered within the Eligible Net Metering System Site.

“Excess Renewable Net Metering Credit” shall mean a credit that applies to an Eligible Net Metering System for that portion of the Renewable Self-generator's production of electricity beyond one hundred percent (100%) and no greater than one hundred twenty-five (125%) of the Renewable Self-generator's own consumption at the eligible net metering system site during the applicable billing period. Such Excess Renewable Net Metering Credit shall be equal to the Company's avoided cost rate, defined for this purpose as the Standard Offer Service kilowatt-hour (kWh) charge for the rate class and time-of-use billing period, if applicable, applicable to the delivery service account(s) at the Eligible Net Metering System Site. Where there are delivery service accounts at the Eligible Net Metering System Site in different rate classes, the Company may calculate the Excess Renewable Net Metering Credit based on the average of the Standard Offer Service rates applicable to those on-site delivery service accounts. The Company has the option to use the energy received from such excess generation to serve the Standard Offer Service load. The Commission shall have the authority to make determinations as to the applicability of this credit to specific generation facilities to the extent there is an uncertainty or disagreement.

“Farm” shall be defined in accordance with section 44-27-2, except that all buildings associated with the farm shall be eligible for Renewable Net Metering Credits and Excess Renewable Net Metering Credits as long as: (i) the buildings are owned by the same entity operating the farm or persons associated with operating the farm; and (ii) the buildings are on the same farmland as the project on either a tract of land contiguous with or reasonably proximate to such farmland or across a public way from such farmland.

“ISO-NE” shall mean The Independent System Operator – New England established in accordance with the NEPOOL Agreement and applicable FERC approvals, which is responsible for managing the bulk power generation and transmission systems in New England.

“Multi-municipal Collaborative” shall mean a group of towns and/or cities that enter into an agreement for the purpose of co-owning a renewable generation facility or entering into a Municipal Net Metering Financing Arrangement.

“Municipal Net Metering Financing Arrangement” shall mean arrangements entered into by a municipality or Multi-municipal Collaborative with a private entity to facilitate the financing and operation of a net metering resource, in which the private entity owns and operates an Eligible Net Metering Resource on behalf of a municipality or Multi-municipal Collaborative, where: (i) the Eligible Net Metering Resource is located on property owned or controlled by the municipality or one of the municipalities, as applicable, and (ii) the production from the Eligible Net Metering Resource and primary compensation paid by the municipality or Multi-municipal Collaborative to the private entity for such production is directly tied to the consumption of electricity occurring at the designated Net Metered Accounts.

“Municipality and towns and cities” shall mean any Rhode Island town or city, including any agency or instrumentality thereof, with the powers set forth in title 45 of the general laws.

“Net Metering” shall mean using electricity generated by an Eligible Net Metering System for the purpose of self-supplying power at the Eligible Net Metering System Site and thereby offsetting consumption at the Eligible Net Metering System Site through the netting process established in this provision.

“Net Metered Accounts” shall mean one or more electric delivery service billing accounts owned by a single customer of record on the same campus or complex of sites contiguous to one another and the site where the Eligible Net Metering System is located or a farm in which the Eligible Net Metering System is located, or all municipal delivery service accounts associated with an Eligible Net Metering System that is: (i) owned by a municipality or Multi-municipal Collaborative or (ii) owned and operated by a renewable generation developer on behalf of a municipality or Multi-municipal Collaborative through a municipal net metering financing arrangement, provided that the Net Metering Customer or the municipality or Multi-municipal Collaborative has submitted Schedule B (attached) with the individual billing account information for each Net Metered Account. It is the responsibility of the Net Metering Customer or the municipality or Multi-municipal Collaborative to submit a revised Schedule B should there be a change to any of the information contained therein.

“Net Metering Customer” shall mean a customer of the Company receiving and being billed for electric delivery service whose delivery account(s) are being net metered.

“Person” shall mean an individual, firm, corporation, associations, partnership, farm, town or city of the State of Rhode Island, Multi-municipal Collaborative, or the State of Rhode Island or any department of the state government, governmental agency or public instrumentality of the state.

“Project” shall mean a distinct installation of an Eligible Net Metering System. An installation will be considered distinct if it is installed in a different location, or at a different time, or involves a different type of renewable energy.

“Renewable Net Metering Credit” shall mean a credit that applies to an Eligible Net Metering System up to one hundred percent (100%) of the Renewable Self-generator’s usage at the Eligible Net Metering System Site over the applicable billing period. This credit shall be equal to the total kilowatt-hours of electricity generated and consumed on-site during the billing period multiplied by the sum of the:

- (i) Standard offer Service kilowatt-hour charge for the rate class applicable to the net metering customer;
- (ii) Distribution kilowatt-hour charge;
- (iii) Transmission kilowatt-hour charge; and
- (iv) Transition kilowatt-hour charge.

“Renewable Self-generator” shall mean an electric delivery service customer who installs or

arranges for an installation of renewable generation that is primarily designed to produce electricity for consumption by that same customer at its delivery service account(s).

II. Terms and Conditions

The following policies regarding Net Metering of electricity from Eligible Net Metering Systems and regarding any Person that is a Renewable Self-generator shall apply:

1. The maximum allowable capacity for Eligible Net Metering Systems, based on name plate capacity, shall be five megawatts (5 MW),
2. The aggregate amount of Net Metering in Rhode Island shall not exceed three percent (3%) of peak load, provided that at least two megawatts (2 MW) are reserved for Projects of less than fifty kilowatts (50 kW),
3. For ease of administering Net Metered Accounts and stabilizing Net Metered Account bills, the Company may elect (but is not required) to estimate for any twelve (12) month period i) the production from the Eligible Net Metering System and ii) aggregate consumption of the Net Metered Accounts at the Eligible Net Metering System Site and establish a monthly billing plan that reflects the expected Renewable Generation Credits and Excess Renewable Generation Credits that would be applied to the Net Metered Accounts over twelve (12) months. The billing plan would be designed to even out monthly billings over twelve (12) months, regardless of actual production and usage. If such election is made by the Company, the Company would reconcile payments and credits under the billing plan to actual production and consumption at the end of the twelve (12) month period and apply any credits or charges to the Net Metered Accounts for any positive or negative difference, as applicable. Should there be a material change in circumstances at the Eligible Net Metering System Site or associated Net Metered Accounts during the twelve (12) month period, the estimate and credits may be adjusted by the Company during the reconciliation period. The Company also may elect (but is not required) to issue checks to any Net Metering Customer in lieu of billing credits or carry forward credits or charges to the next billing period. For residential Eligible Net Metering Systems twenty-five kilowatts (25) kW or smaller, the Company, at its option, may administer Renewable Net Metering Credits month to month allowing unused credits to carry forward into following billing period.
4. If the electricity generated by an Eligible Net Metering System during a billing period is equal to or less than the Net Metering Customer's usage during the billing period for Net Metered Accounts at the Eligible Net Metering System Site, the customer shall receive Renewable Net Metering Credits, which shall be applied to offset the Net Metering Customer's usage on Net Metered Accounts at the Eligible Net Metering System Site.
5. If the electricity generated by an Eligible Net Metering System during a billing period is greater than the Net Metering Customer's usage on Net Metered Accounts at the eligible Net Metering System Site during the billing period, the customer shall be paid by Excess Renewable Net Metering Credits for the excess electricity generated beyond the Net

Metering Customer's usage at the Eligible Net Metering System Site up to an additional twenty-five percent (25%) of the Renewable Self-generator's consumption during the billing period; unless the Company and Net Metering Customer have agreed to a billing plan pursuant to Section II.3.

6. As a condition to receiving Renewable Generation Credits or Excess Renewable Generation Credit pursuant to this provision, customers who install Eligible Net Metering Systems must enter into an interconnection agreement and comply with the Company's Standards for Connecting Distributed Generation, as amended and superseded from time to time.
7. Customers eligible to receive Renewable Net Metering Credits or Excess Renewable Net Metering Credits pursuant to Sections II.4 and II.5, respectively, shall be required to complete Schedule B, attached hereto as Appendix A.
8. As a condition to receiving any payments pursuant to this provision, Customers who install Eligible Net Metering Systems with a nameplate capacity in excess of 60 kW 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 Eligible Net Metering System's electric energy output to be sold into the ISO-NE administered markets. 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 Eligible Net Metering System into the ISO-NE administered markets, the Eligible Net Metering System must provide such information to the Company in a timely manner.
9. 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 Eligible Net Metering System's failure to comply with a NEPOOL or ISO-NE rule or information request, the Eligible Net Metering System will be responsible for the costs incurred by the Company, if any, associated with such fine, penalty or sanction.

III. Rates for Distribution Service to Eligible Net Metering System and Net Metered Accounts

1. Retail delivery service by the Company to the Eligible Net Metering System and Net Metered Accounts shall be governed by the tariffs, rates, terms, conditions, and policies for retail delivery service which are on file with the Commission.
2. The Standard Offer Service and retail delivery rates applicable to any Net Metered Account shall be the same as those that apply to the rate classification that would be applicable to such delivery service account in the absence of Net Metering including customer and demand charges and no other charges may be imposed to offset net metering credits.
3. Net Metered Accounts associated with an Eligible Net Metering System shall be

exempt from backup service rates commensurate with the size of the Eligible Net Metering System.

IV. Cost Recovery

1. Any prudent and reasonable costs incurred by the Company pursuant to achieving compliance with R.I.G.L. Section 39-26.2 and the annual amount of the distribution component of any Renewable Net Metering Credits or Excess Renewable Net Metering Credits provided to Eligible Net Metering Systems, shall be aggregated by the Company and billed to all distribution customers on an annual basis through a uniform per kilowatt hour (kWh) surcharge embedded in the distribution component of the rates reflected on customer bills.
2. The Company will include the energy market payments received from ISO-NE for the electricity generated by Eligible Net Metering Systems in the Company's annual reconciliation of the Standard Offer Service. Eligible Net Metering Systems with a nameplate capacity in excess of 60 kW shall provide all necessary information to, and cooperate with, the Company to enable the Company to obtain the appropriate asset identification for reporting generation to ISO-NE. The Company will report all exported power to the ISO-NE as a settlement only generator and net this reported usage and associated payment received against the annual amount of Standard Offer Service component of any renewable net metering credits or excess renewable net metering credits provided to accounts associated with eligible net metering systems.

Effective: September 1, 2011

THE NARRAGANSETT ELECTRIC COMPANY
NET METERING PROVISION

Schedule B

INFORMATION REQUIRED FOR APPLICATION OF RENEWABLE NET METERING
AND EXCESS RENEWABLE NET METERING CREDITS

Date: _____

Net Metering Customer ("NMC"): _____

NMC Address:

Estimated annual generation in kWhs of Eligible Net-Metering System _____

Net Metered Account(s)

The following information must be provided for each individual Net Metered Account:

Name: _____ (Except in the case of a municipal or
Multi-municipal Collaborative, the customer of record must be the same as the NMC)

Service Address: _____

National Grid Account number: _____

Three (3) years average kWh usage for this account _____

Total three (3) years average kWh usage for all accounts listed _____

Legal Notice
National Grid
Approval of Net Metering Provision and
Amend Tariff R.I.P.U.C. No. 2035,
Qualifying Facilities Power Purchase Rate

Pursuant to Rhode Island General Laws §39-3-11 and Rule 1.9 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 July 25, 2011, the Company filed by Tariff Advice a Net Metering Provision in order to implement the recently enacted provisions of Sections 39-26.2-1 et seq. of the General Laws (the “Net Metering Act”) and revisions to its Qualifying Facilities Power Purchase Rate (“QF Rate”) pursuant to recent amendments to Section 39-26-6 (the “Renewable Energy Standard”) of the General Laws. These legislative enactments provide a comprehensive set of rules for net metering in Rhode Island, including the recovery of prudent and reasonable costs incurred by the Company and the recovery by the Company of the annual amount of the distribution component of any renewable net metering credits or excess renewable net metering credits provided to accounts associated with eligible net metering facilities. The proposed Net Metering Provision and revisions to the QF Rate are designed to give effect to those recent statutory enactments, and they are proposed to become effective September 1, 2011. The Commission may hold a hearing on this issue in which case it 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.

National Grid