

May 8, 2012

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4319 - Review of Power Purchase Agreement Black Bear Development Holdings, LLC Pursuant to RI General Laws § 39-26.1 *et seq.***  
**Supplemental Testimony**

Dear Ms. Massaro:

Enclosed for filing with the Commission is supplemental testimony of Madison N. Milhous, Jr. and Corinne M. Abrams, along with a copy of a First Amendment to Power Purchase Agreement ("Amendment"), which National Grid<sup>1</sup> has executed with Black Bear Development Holdings, LLC ("Black Bear Hydro").

The purpose of the Amendment is to amend the basis for the pricing in the PPA from the Rhode Island delivery point to the Maine delivery point based on the recommendation of the Division of Public Utilities and Carriers (the "Division") and the Company's separate discussions with Energy Security Analysis Inc. ("ESAI"), which suggest that the long-term price separation between the Maine delivery point and the Rhode Island delivery point is not likely to increase significantly. While the Company currently intends to resell the power into the market at the Maine delivery point, in the event that the Company determines that there is a need to deliver the power to Rhode Island, the Company believes that customers are better off bearing the cost of this price differential rather than paying a premium for a fixed price, as originally contemplated in the PPA. Thus, the Amendment amends the contract price from \$99 per MWh to \$91 per MWh to reflect the Maine zonal price and eliminates the contract adjustment for price separation.

The Amendment contemplates two options by which the transaction can be settled within the ISO-NE Settlement Market System. The first is by an Asset Registration Form or by an Internal Bilateral Transaction ("IBT"), both of which would result in the Company receiving credit for the energy in the ISO-NE system at the Maine zonal price. The second option is through an IBT settled at the Rhode Island zonal price in the event that the Company needs or desires to deliver the energy to Rhode Island. The Amendment reflects, that in such event, Black Bear Hydro would be charged for the congestion charges by ISO-NE and would be reimbursed by

---

<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (hereinafter referred to as "National Grid" or the "Company")

Luly E. Massaro, Commission Clerk  
Docket No. 4319  
Review of Power Purchase Agreement – Black Bear Hydro  
May 8, 2012  
Page 2 of 2

the Company by an adjustment to the contract price. The Amendment provides for the flexibility of either option in the event that the ISO-NE settlement rules change or the Company determines that it is beneficial to customers to deliver the power to Rhode Island.

As explained in the supplemental testimony, in the event that the Company determines there is a need to deliver the power to Rhode Island, customers will pay this cost; however, the cost of the price separation will be off-set by the credit received at the Rhode Island zone and will have a net effect of zero on the determination of above (or below) market cost. The contract cost will be the price paid to Black Bear Hydro under the PPA plus the cost to deliver the power to Rhode Island netted against the revenues that the Company receives from the market. Based on the currently projected ESAI forecast, the Company anticipates that this will result in a credit to customers. However, in the event that the forecast shifts over the term of the contract this could result in a charge to customers.

The Company continues to support approval of the PPA for the reasons set forth in its March 19, 2012 filing, and agrees with the Division that it is in the best of interests of customers to base the contract pricing on the Maine delivery point.

Please be advised that the Company is seeking protective treatment of a confidential attachment, identified as Attachment 2, provided in Mr. Milhous' and Ms. Abrams' testimony, as permitted by Commission Rule 1.2(g) and by R.I.G.L. § 38-2-2(4)(i)(B). The Company has submitted a Motion for Protective Treatment along with a confidential Attachment 2 to the Commission pending a determination on the Company's Motion.

For the reasons set forth above, National Grid recommends that the Commission approve the PPA, as amended by the enclosed Amendment.

Thank you for your attention to this filing. If you have any questions, please feel free to contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4319 Service List  
Leo Wold, Esq.  
Jon Hagopian, Esq.  
Steve Scialabba, Division

### Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been electronically transmitted, sent via U.S. mail or hand-delivered to the individuals listed below.



Joanne M. Scanlon

May 8, 2012

Date

**Docket No. 4319 National Grid – PPA w/ Black Bear Development Holdings, LLC**

**Service List updated 4/12/12**

Name/Address	E-mail Distribution	Phone
Jennifer Brooks Hutchinson, Esq. National Grid 280 Melrose Street Providence, RI 02907	<a href="mailto:Jennifer.hutchinson@us.ngrid.com">Jennifer.hutchinson@us.ngrid.com</a>	401-784-7288
	<a href="mailto:Thomas.teehan@us.ngrid.com">Thomas.teehan@us.ngrid.com</a>	
	<a href="mailto:Joanne.scanlon@us.ngrid.com">Joanne.scanlon@us.ngrid.com</a>	
	<a href="mailto:corinne.abrams@us.ngrid.com">corinne.abrams@us.ngrid.com</a>	
	<a href="mailto:Brooke.Skulley@us.ngrid.com">Brooke.Skulley@us.ngrid.com</a>	
Joseph A. Keough, Jr., Esq. Keough & Sweeney 100 Armistice Blvd. Pawtucket, RI 02860	<a href="mailto:jkeoughjr@keoughsweeney.com">jkeoughjr@keoughsweeney.com</a>	401-724-3600
Jonathan W. Chadbourne, Vice President Black Bear Development Holdings, LLC c/o ArcLight Capital Partners, LLC 200 Clarendon St., 55 <sup>th</sup> Floor Boston, MA 02117	<a href="mailto:jchadbourne@arclightenergy.com">jchadbourne@arclightenergy.com</a>	617-531-6397
Christine Miller, Associate General Counsel Black Bear Development Holdings, LLC c/o ArcLight Capital Partners, LLC	<a href="mailto:cmiller@arclightcapital.com">cmiller@arclightcapital.com</a>	617-531-6338
Jon Hagopian, Esq. Karen Lyons, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:Jhagopian@riag.ri.gov">Jhagopian@riag.ri.gov</a>	401-222-2424
	<a href="mailto:Klyons@riag.ri.gov">Klyons@riag.ri.gov</a>	
	<a href="mailto:Dstearns@ripuc.state.ri.us">Dstearns@ripuc.state.ri.us</a>	
	<a href="mailto:Sscialabba@ripuc.state.ri.us">Sscialabba@ripuc.state.ri.us</a>	
	<a href="mailto:dmacrae@riag.ri.gov">dmacrae@riag.ri.gov</a>	
Richard Hahn LaCapra Associates One Washington Mall, 9 <sup>th</sup> floor Boston, MA 02108	<a href="mailto:rhahn@lacapra.com">rhahn@lacapra.com</a>	617-778-2467
<b>File an original &amp; 10 copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Lmassaro@puc.state.ri.us">Lmassaro@puc.state.ri.us</a>	401-780-2017
	<a href="mailto:ADalessandro@puc.state.ri.us">ADalessandro@puc.state.ri.us</a>	
	<a href="mailto:Nucci@puc.state.ri.us">Nucci@puc.state.ri.us</a>	
	<a href="mailto:Anault@puc.state.ri.us">Anault@puc.state.ri.us</a>	
	<a href="mailto:DShah@puc.state.ri.us">DShah@puc.state.ri.us</a>	

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**

**RHODE ISLAND PUBLIC UTILITIES COMMISSION**

---

**Review of Black Bear Development Holdings, LLC  
Power Purchase Agreement  
Pursuant to R.I.G.L. § 39-26.1 *et seq.***

---

**Docket No. 4319**

**NATIONAL GRID’S REQUEST  
FOR PROTECTIVE TREATMENT OF CONFIDENTIAL INFORMATION**

National Grid<sup>1</sup> hereby requests that the Rhode Island Public Utilities Commission (“Commission”) provide confidential treatment and grant protection from public disclosure of certain confidential, competitively sensitive, and proprietary information submitted in this proceeding, as permitted by Commission Rule 1.2(g) and R.I.G.L. § 38-2-2(4)(i)(B). National Grid also hereby requests that, pending entry of that finding, the Commission preliminarily grant National Grid’s request for confidential treatment pursuant to Rule 1.2 (g)(2).

**I. BACKGROUND**

On May 8, 2012, National Grid is filing with the Commission a signed First Amendment to Power Purchase Agreement that amends the basis for the pricing in the PPA from the Rhode Island delivery point to the Maine delivery point. Also on May 8, 2012, the Company is submitting supplemental testimony in this proceeding. As an attachment (Attachment 2) to the testimony of National Grid’s witnesses,

---

<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”).

Mr. Madison N. Milhous, Jr. and Ms. Corinne M. Abrams, the Company is submitting redacted and un-redacted versions of a revised confidential Exhibit 2 from the previously filed direct testimony that illustrates a comparison of the amended PPA pricing to the August 2011 market price forecasts for energy, capacity and renewable energy credits (“RECs”) prepared by Energy Security Analysis, Inc. (“ESAI”) at the Maine zone Locational Marginal Price (“LMP”). This is the same ESAI forecast that was utilized in preparing Exhibit 2 to the previously filed testimony filed with the Commission on March 19, 2012, for which National Grid simultaneously filed a Motion for Protective Treatment. The only distinction is that the price comparison is now based on the forecast of the Maine zone LMP instead of the Rhode Island zone LMP.

As set forth in the Company’s March 19, 2012 Motion for Protective Treatment, ESAI prepared the above-referenced report acting as consultant to National Grid and at National Grid’s request. Under National Grid’s arrangement with ESAI, the energy, capacity and REC forecasts are considered proprietary. Therefore, the Company requests that the Commission give the un-redacted version of Attachment 2 confidential treatment.

## **II. LEGAL STANDARD**

The Commission’s Rule 1.2(g) provides that access to public records shall be granted in accordance with the Access to Public Records Act (“APRA”), R.I.G.L. §38-2-1, *et seq.* Under APRA, all documents and materials submitted in connection with the transaction of official business by an agency is deemed to be a “public record,” unless the information contained in such documents and materials falls within one of the exceptions specifically identified in R.I.G.L. §38-2-2(4). Therefore, to the extent that information provided to the Commission falls within one of the designated exceptions to

the public records law, the Commission has the authority under the terms of APRA to deem such information to be confidential and to protect that information from public disclosure.

In that regard, R.I.G.L. §38-2-2(4)(i)(B) provides that the following types of records shall not be deemed public:

Trade secrets and commercial or financial information obtained from a person, firm, or corporation which is of a privileged or confidential nature.

The Rhode Island Supreme Court has held that this confidential information exemption applies where disclosure of information would be likely either (1) to impair the Government's ability to obtain necessary information in the future; or (2) to cause substantial harm to the competitive position of the person from whom the information was obtained. Providence Journal Company v. Convention Center Authority, 774 A.2d 40 (R.I.2001).

The first prong of the test is satisfied when information is voluntarily provided to the governmental agency and that information is of a kind that would customarily not be released to the public by the person from whom it was obtained. Providence Journal, 774 A.2d at 47.

In addition, the Court has held that the agencies making determinations as to the disclosure of information under APRA may apply the balancing test established in Providence Journal v. Kane, 577 A.2d 661 (R.I.1990). Under that balancing test, the Commission may protect information from public disclosure if the benefit of such protection outweighs the public interest inherent in disclosure of information pending before regulatory agencies.

## **II. BASIS FOR CONFIDENTIALITY**

The forecast information contained in the un-redacted version of Attachment 2 is the same ESAI forecast that is contained in Exhibit 2. As stated in the Company's March 19, 2012 Motion for Protective Treatment in connection with Exhibit 2, this information was developed by ESAI through its proprietary methods of analysis and was provided to National Grid on a confidential basis. National Grid is providing the un-redacted version of Attachment 2 to the Commission and the Division of Public Utilities and Carriers on a voluntary basis to assist the Commission with its decision-making in this proceeding. Disclosure of this information could adversely affect ESAI's competitive position and would tend to make it less likely that such information would be provided voluntarily in the future. Moreover, such disclosure would impede National Grid's future ability to obtain this type of proprietary information from third-party consultants or would increase the cost at which that information could be obtained.

## **III. CONCLUSION**

Accordingly, the Company requests that the Commission grant protective treatment to the un-redacted version of Attachment 2 to the testimony of Mr. Madison N. Milhous, Jr. and Ms. Corinne M. Abrams.

**WHEREFORE**, the Company respectfully requests that the Commission grant its Motion for Protective Treatment as stated herein.

Respectfully submitted,

**NATIONAL GRID**

By its attorney,

A handwritten signature in dark ink, appearing to read "Jennifer Brooks Hutchinson", written over a horizontal line.

---

Jennifer Brooks Hutchinson (RI Bar #6176)  
National Grid  
280 Melrose Street  
Providence, RI 02907  
(401) 784-7288

Dated: May 8, 2012



**THE NARRAGANSETT ELECTRIC COMPANY  
D/B/A NATIONAL GRID  
DOCKET No. 4319  
REVIEW OF POWER PURCHASE AGREEMENT  
BLACK BEAR DEVELOPMENT HOLDINGS , LLC  
PURSUANT TO R.I.G.L. § 39-26.1  
WITNESSES: MADISON N. MILHOUS, JR. & CORINNE M. ABRAMS  
SUPPLEMENTAL TESTIMONY  
MAY 8, 2012**

---

**SUPPLEMENTAL TESTIMONY**

**OF**

**MADISON N. MILHOUS, JR.**

**AND**

**CORINNE M. ABRAMS**

**May 8, 2012**

**THE NARRAGANSETT ELECTRIC COMPANY**  
**D/B/A NATIONAL GRID**  
**DOCKET No. 4319**  
**REVIEW OF POWER PURCHASE AGREEMENT**  
**BLACK BEAR DEVELOPMENT HOLDINGS, LLC**  
**PURSUANT TO R.I.G.L. § 39-26.1**  
**WITNESSES: MADISON N. MILHOUS, JR. & CORINNE M. ABRAMS**  
**SUPPLEMENTAL TESTIMONY**  
**MAY 8, 2012**

---

**TABLE OF CONTENTS**

I.	Introduction.....	1
II.	Purpose of Testimony .....	2
III.	Amended PPA Pricing .....	4

**I. Introduction**

**Q. Mr. Milhous, please state your name and business address.**

A. My name is Madison N. Milhous, Jr., and my business address is 21 Barberry Court,  
Farmingdale, New York 11735.

**Q. Mr. Milhous, by whom are you employed and in what capacity?**

A. I recently retired from National Grid, and I am currently providing consulting services to  
National Grid on matters related to renewable electric energy on an as required basis.

**Q. Ms. Abrams, please state your name and business address.**

A. My name is Corinne M. Abrams, and my business address is 100 East Old Country Road,  
Hicksville, New York 11801.

**Q. Have you both previously provided testimony in this proceeding?**

A. Yes. We provided direct joint testimony as part of The Narragansett Electric Company's  
d/b/a National Grid (the "Company") March 19, 2012 filing of the Power Purchase  
Agreement ("PPA") with Black Bear Development Holdings, LLC ("Black Bear  
Hydro").

1   **II.    Purpose of Testimony**

2   **Q.    What is the purpose of your testimony?**

3   A.    On May 7, 2012, the Company and Black Bear Hydro entered into a First Amendment to  
4       Power Purchase Agreement (the “Amendment”), which is filed with this testimony, in  
5       which they agreed to amend the pricing terms of the PPA. The purpose of our testimony  
6       is to (i) explain the reasons for amending the PPA, (ii) describe the specific changes to  
7       the PPA set forth in the Amendment, and (iii) explain the revised PPA pricing terms.

8  
9   **Q.    Why is the Company amending the PPA?**

10   A.   After reviewing the April 24, 2012 comments submitted by the Division of Public  
11       Utilities and Carriers (the “Division”), the Company agreed with the recommendation of  
12       the Division’s consultant, Richard Hahn, to amend the basis for the pricing in the PPA  
13       from the Rhode Island delivery point to the Maine delivery point. This determination is  
14       based on the Company’s recent discussions with ISO New England Inc. (“ISO-NE”) on  
15       the structure of the required ISO-NE transactions, and separate discussions with Energy  
16       Security Analysis Inc. (“ESAI”) that suggest that the long-term price separation between  
17       the Maine delivery point and the Rhode Island delivery point is not likely to increase  
18       significantly. As currently contemplated, the Company intends to sell the power at the  
19       Maine delivery point, in which case, there will be no price separation; however, if the

1 Company determines that there is a need to deliver the power to Rhode Island, customers  
2 will bear this cost. This cost will be off-set by receiving credit at the Rhode Island zone,  
3 and will have a net effect of zero on the determination of above (or below) market cost.  
4 Under the revised pricing, the Company believes that, based on the projected forecast,  
5 customers are better off paying this price differential rather than paying a premium for a  
6 fixed price under the PPA.

7  
8 **Q. What changes were made to the PPA as a result of the Amendment?**

9 A. The changes to the PPA that are reflected in the Amendment pertain to modifications in  
10 the contract price to be paid under the PPA and the ISO-NE settlement structure  
11 associated with the choice of the Maine zone pricing. These pricing changes are  
12 designed to shift the risk associated with congestion and losses (positive or negative)  
13 between the generator node (Graham substation) in Maine and the Rhode Island load  
14 zone, otherwise referred to as “price separation,” from Black Bear Hydro to customers.  
15 The Company agrees with Mr. Hahn’s assessment that this pricing structure may result in  
16 lower expected costs to customers over the 15-year term of the PPA.

17  
18 **Q. Are you sponsoring attachments to your testimony?**

19 A. Yes. The following attachments are included with the testimony:

- 20
- Attachment 1 - Amendment; and

- Attachment 2 - Revised Exhibit 2 - Comparison of Amended PPA Pricing to  
ESAI Forecast of Market Prices at the Maine Zone LMP.

**III. Amended PPA Pricing**

**Q. Please explain the changes to the PPA pricing set forth in the Amendment.**

A. Prior to the Amendment, the Bundled Price per MWh for Energy, Capacity and RECs was \$99 per MWh at the Rhode Island delivery point, commencing on the Commercial Operation Date, subject to a two percent annual escalation, which was then adjusted (typically reduced) to account for the price separation between the Maine delivery point and the Rhode Island delivery point in the ISO-NE Settlement Market System. Under this original price mechanism, customers paid a fixed price under the contract, and Black Bear Hydro was responsible for the price separation. With the Amendment, the Company has rearranged the contract to sell the power into the market in Maine and provide the customer with the credit at the Maine zonal price. Appendix X of Exhibit E has been amended to replace “\$99 per MWh” with “\$91 per MWh at the Delivery Point” and to eliminate the adjustment for price separation. This change is to reflect the contract price at the Maine delivery point, and effectively changes the ISO-NE settlement point for the energy under the PPA from the Rhode Island delivery point to the Maine delivery point.

1       The Company has also preserved the option to deliver the power to Rhode Island at some  
2       point in the future if the Company deems it beneficial to customers, or does not adversely  
3       affect customers, to do so. The amended pricing mechanism shifts the risk of price  
4       separation to customers, such that customers will now bear that cost, but only in the event  
5       that the Company determines there is a need to deliver the power to Rhode Island.

6  
7   **Q.   Under what circumstances would the Company deliver the energy to Rhode Island?**

8   A.   The Company's intent is to sell the energy into the ISO-NE market and credit customers  
9       at the Maine delivery point. However, in the event that the ISO-NE settlement rules  
10       change, or the Company determines that delivery to Rhode Island will benefit customers,  
11       the Company has maintained the flexibility under the PPA to consider whether to deliver  
12       the energy to Rhode Island. The Company believes that having the option to deliver the  
13       energy to either Maine or Rhode Island is an appropriate way to structure a 15-year  
14       contract for a resource that is not physically located in Rhode Island.

15  
16   **Q.   How does the Amendment affect the comparison of the PPA pricing to the ESAI**  
17       **market forecast?**

18   A.   Attachment 2 to our testimony is a revised confidential Exhibit 2 from the previously  
19       filed direct testimony that reflects a comparison of the amended PPA pricing to the  
20       August 2011 ESAI forecast of capacity, energy and REC prices. The primary distinction

1       between the revised Exhibit 2 and the original version is that the comparison is now  
2       based on the forecast of the Maine zonal Locational Marginal Price (“LMP”), rather than  
3       the Rhode Island zonal LMP, to reflect the Amendment. This comparison is appropriate,  
4       because the contract price no longer covers the zonal price separation. The comparison  
5       shows that, over the 15-year term, the PPA pricing is projected to be approximately \$8.4  
6       million below the market forecast on a net present value basis. This compares with a  
7       difference of just under \$7 million in the previous analysis. While the Company did not  
8       ask ESAI to develop a revised forecast for purposes of this analysis, the Company agrees  
9       with Mr. Hahn’s observation noted in the Division’s April 24 comments filed in this  
10      docket that energy price projections are somewhat lower today because of lower  
11      projections of natural gas prices. On the other hand, there are indications that current  
12      REC prices are higher than previously forecasted. This would affect a long-term forecast  
13      of REC prices, at least in the nearer term portion of that forecast. Nonetheless, despite  
14      these alternative market price projections, the PPA is still expected to be below market  
15      over its term.

16  
17   **Q.   How does the Amendment effectuate the different ways in which the energy**  
18   **purchased under the PPA is settled in the ISO-NE Settlement Market System?**

19   **A.**   The Amendment modifies Section 4.2(a) of the PPA to provide for two settlement  
20   options: (i) an Asset Registration Form in which the Company is registered as the Asset



1 Owner in the ISO-NE Settlement Market System, or an Internal Bilateral Transaction  
2 (“IBT”) settled at the Maine zone LMP; and (ii) an IBT settled at the Rhode Island zone  
3 LMP. IBTs are financial arrangements between two parties in the ISO-NE Settlement  
4 Market System that reflect a contractual transaction occurring outside of that system  
5 (e.g., the PPA between the Company and Black Bear Hydro). The net effect of the IBT is  
6 to reflect that contractual transaction in the overall settlement mechanism within ISO-NE.  
7

8 **Q. Please explain the practical distinction between Asset Registration and an IBT**  
9 **settled at either the Maine zone LMP or the Rhode Island zone LMP in the**  
10 **Amendment?**

11 A. Both Asset Registration and an IBT settled at the Maine zone LMP would result in the  
12 Company receiving credit in the ISO-NE Settlement Market System for the energy at the  
13 generator LMP in the Maine zone. The only practical distinction is that the Asset  
14 Registration transaction is easier to implement. In all likelihood, when the Company re-  
15 sells the power into the ISO-NE markets, the Company will be assigned as the asset  
16 owner and receive credit for the output at the Maine zone LMP without the need for an  
17 IBT. The Amendment contemplates an IBT settled at the Maine zone LMP, however, to  
18 provide for the greatest flexibility over the term of the contract in the event that an IBT is  
19 required at some future date.  
20

1       The Amendment also reserves the right for the Company to deliver the energy through an  
2       IBT settled at the Rhode Island zone LMP in the event that the Company needs or desires  
3       to deliver the energy to Rhode Island. In such event, Black Bear Hydro would likely be  
4       billed for the difference between the Maine zone LMP and the Rhode Island zone LMP.  
5       Section 4.2(a) of the PPA, as originally proposed, provided for the flexibility of using an  
6       Asset Registration or having Black Bear Hydro execute an IBT, subject to adjustment for  
7       zonal price separation. The Amendment modifies this provision, along with Exhibit E to  
8       reflect that, for an IBT settled at the Rhode Island zone LMP, Black Bear Hydro would  
9       be charged for the congestion charges by ISO-NE and would be reimbursed by the  
10      Company by an adjustment to the contract price.

11  
12   **Q.     Please describe how zonal price separation is dealt with in the Amendment?**

13   A.     As described above, in the event of an IBT settled at the Rhode Island zone LMP, the  
14       zonal price separation will be “reversed” to account for the fact that Black Bear Hydro  
15       would be billed for this cost. The definition of “Zonal Price Separation” in the PPA has  
16       also been amended so that it fully reflects the actual price separation. Section 4.5(b) and  
17       Section 4.5(c) of the PPA have also been amended to reflect the new way in which price  
18       separation will be treated.

1   **Q.     How will the contract cost be recovered from customers?**

2   A.     Under the Long-Term Contracting Standard, R.I.G.L. §39-26.1-3, the cost of payments  
3           made to projects under long- term contracts are netted against the proceeds obtained from  
4           the sale of energy, capacity, and RECs, and the difference is credited or charged to  
5           customers. In the case of an IBT settled at the Rhode Island zone LMP, the contract cost  
6           will be the price paid to Black Bear under the PPA plus the cost to deliver the energy to  
7           Rhode Island. This cost will then be netted against the revenues the Company receives  
8           from the market. Based on the currently projected market forecast, the Company  
9           anticipates that this will result in a credit to customers; however, if this forecast were to  
10          shift over the term of the contract, this may result in an above-market cost that would be  
11          recovered from customers.

12  
13   **Q.     Does the Amendment address notice to the Commission if the Company were to**  
14           **settle the energy in the ISO-NE Settlement Market System at the Rhode Island zone**  
15           **LMP?**

16   A.     No; however, if at some point in the future the Company determined that there was a  
17           need to deliver the energy to Rhode Island, the Company would first consult with the  
18           Division and proceed only if the Division concurred that it was beneficial to customers,  
19           or would not adversely affect customers, to deliver the energy to Rhode Island, and, in  
20           such event, the Company would timely notify the Commission.

1    **Q.**     Does this conclude your testimony?

2    **A.**     Yes.

## **FIRST AMENDMENT TO POWER PURCHASE AGREEMENT**

This FIRST AMENDMENT TO POWER PURCHASE AGREEMENT (this "**Amendment**") is entered into as of May 7, 2012, by and between The Narragansett Electric Company, d/b/a National Grid, a Rhode Island corporation ("**Buyer**"), and Black Bear Development Holdings, LLC, a Delaware limited liability company ("**Seller**"). Buyer and Seller are individually referred to herein as a "**Party**" and are collectively referred to herein as the "**Parties**").

**WHEREAS**, Buyer and Seller are parties to that certain Power Purchase Agreement dated as of February 17, 2012 (the "**Agreement**") pursuant to which Seller has agreed to sell and deliver, and Buyer has agreed to purchase and receive, all Products generated by or associated with the Facility during the Services Term (in each case as defined in the Agreement); and

**WHEREAS**, Buyer has submitted the Agreement to the Rhode Island Public Utilities Commission the ("**PUC**") in Docket No. 4319 in order to obtain the Regulatory Approval as provided in the Agreement; and

**WHEREAS**, as part of the proceeding in that docket, the Parties have agreed to alter the pricing under the Agreement and to shift certain risks associated with price separation from Seller to Buyer in response to certain recommendations submitted by the Rhode Island Division of Public Utilities and Carriers;

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. In the introductory paragraph of the Agreement, the phrase "(this "**Agreement**")" is deleted in its entirety and replaced with "(as amended from time to time in accordance with the terms hereof, this "**Agreement**")".

2. The definition of "Zonal Price Separation" in Section 1 of the Agreement is deleted in its entirety and replaced with the following:

**"Zonal Price Separation"** shall mean, in any hour, the Locational Marginal Price for the Rhode Island Load Zone in that hour *minus* the Locational Marginal Price for the Node on the Pool Transmission Facilities to which the Facility is interconnected in that hour.

3. Section 4.2(a) of the Agreement is deleted in its entirety and replaced with the following:

(a) During the Services Term, Seller shall Schedule Deliveries of Energy hereunder with ISO-NE within the defined Operational Limitations of the Facility and in accordance with this Agreement, all ISO-NE Practices and ISO-NE Rules, as applicable. Seller shall transfer the Energy to Buyer in the Real Time Energy Market in

such a manner that Buyer may resell such Energy in the Real Time Energy Market, and Buyer shall have no obligation to pay for any Energy not transferred to Buyer in the Real Time Energy Market or for which Buyer is not credited in the ISO-NE Settlement Market System (including, without limitation, as a result of an outage on any electric transmission or distribution system). Delivery of the Energy is contemplated to occur within the ISO-NE Settlement Market System through Buyer being registered as the Asset Owner for the Facility in such ISO-NE Settlement Market System, and Seller will take all actions reasonably requested by Buyer in order to register Buyer as the Asset Owner for the Facility in the ISO-NE Settlement Market System. Buyer may, in its sole discretion and in conformity with ISO-NE Rules and ISO-NE Practices, direct Seller to (i) Schedule Delivery of the Energy in the Day-Ahead Energy Market and/or (ii) Deliver the Energy to Buyer or at Buyer's direction through Internal Bilateral Transactions executed through ISO-NE and settled at the Rhode Island Load Zone or at the Node on the Pool Transmission Facilities to which the Facility is interconnected, in each case in accordance with all ISO-NE Practices and ISO-NE Rules. Any such Internal Bilateral Transactions will specify hourly delivery of Energy and will be entered into daily, and any necessary adjustments will be made pursuant to ISO-NE settlement protocols. Any such Internal Bilateral Transactions will be entered into the Day-Ahead Energy Market and/or the Real Time Energy Market, as applicable. In the event (x) such an Internal Bilateral Transaction is used for Delivery of the Energy in any hour or (y) the ISO-NE Rules or ISO-NE Practices or settlement protocols with respect to the delivery of Energy in any hour are revised and, as a result of either clause (x) or (y), Seller's account in the ISO-NE Settlement Market System is debited for the Locational Marginal Price in the Rhode Island Load Zone for that hour, the Price paid by Buyer to Seller under Section 5.1 and Exhibit E shall include an adjustment equal to the Zonal Price Separation for that hour.

4. Section 4.5(b) of the Agreement is deleted in its entirety and replaced with the following:

(b) Other than with respect to Zonal Price Separation for Internal Bilateral Transactions to the extent described in Section 4.2(a), Seller shall be responsible for all applicable congestion, losses and other charges associated with transmission and/or distribution interconnection, service and delivery charges, including all related Interconnecting Utility and ISO-NE fees and other charges, in connection with the Delivery of Energy to and at the Delivery Point.

5. In Section 4.5(c), the phrase "Other than with respect to Zonal Price Separation" is deleted in its entirety.

6. Section 3 of Exhibit E is deleted in its entirety and replaced with the following:

3. Adjustment to Bundled Price for Zonal Price Separation. If Energy is Delivered in any month through Internal Bilateral Transactions in accordance with Section 4.2(a) of this Agreement or if the ISO-NE Rules or ISO-NE Practices with respect to the delivery of Energy in any month are revised as specified in Section 4.2(a) of this Agreement, the Bundled Price per MWh paid for Products delivered in that

calendar month shall be adjusted by the sum of the Zonal Price Separations for each hour in that calendar month for which such an Internal Bilateral Transaction or revision of the ISO-NE Rules or ISO-NE Practices resulted in Seller's account in the ISO-NE Settlement Market System being debited the Locational Marginal Price in the Rhode Island Load Zone.

7. In Appendix X to Exhibit E to the Agreement, "\$99 per MWh" is deleted and replaced with "\$91 per MWh at the Delivery Point."

8. The usage in this Amendment of terms which are defined in the Agreement is in accordance with the usage thereof in the Agreement.

9. Except as specifically amended hereby, all terms and provisions contained in the Agreement shall remain unchanged and in full force and effect, and each of the Parties ratifies and confirms all such terms and provisions. In the event of a conflict between the provisions of this Amendment and the Agreement, the provisions of this Amendment shall govern.

10. In accordance with Section 18 of the Agreement, this Amendment shall only become effective if it is approved by the PUC in conjunction with its approval of the Agreement in Docket No. 4319.

11. Two or more counterparts of this Amendment may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument. Facsimile signatures hereon shall be deemed to have the same effect as original signatures.

12. Interpretation and performance of this Amendment shall be in accordance with, and shall be controlled by, the laws of the State of Rhode Island (without regard to its principles of conflicts of law).

*[Signature Page Follows]*

IN WITNESS WHEREOF, each of Buyer and Seller has caused this Amendment to be duly executed on its behalf as of the date first above written.

**THE NARRAGANSETT ELECTRIC COMPANY, D/B/A NATIONAL GRID**

By:  \_\_\_\_\_

Name: John V. Vaughn  
Title: Authorized Signatory

PNB 

**BLACK BEAR DEVELOPMENT HOLDINGS, LLC**

By: \_\_\_\_\_

Name:  
Title:

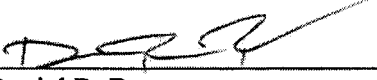


**IN WITNESS WHEREOF**, each of Buyer and Seller has caused this Amendment to be duly executed on its behalf as of the date first above written.

**THE NARRAGANSETT ELECTRIC COMPANY, D/B/A NATIONAL GRID**

By: \_\_\_\_\_  
Name:  
Title:

**BLACK BEAR DEVELOPMENT HOLDINGS, LLC**

By: X   
Name: Daniel R. Revers  
Title: President

REDACTED

**Contract Energy Cost less Forecast Market Value  
ME Contract Pricing**

Black Bear Hydro - Orono "B" Project											
ESAI Forecast						15 Yr PPA					
	ME Energy 7x24 (\$/MWh)	RI Energy 7x24 (\$/MWh)	RI REC Forecast (\$/REC)	Capacity (\$/kW-mo)	ME Energy RECs & Capacity	Zonal Price Separation (Congestion & Losses) (RI - ME) (\$/MWh)	Delivered Energy (MWh)	Bundled Energy Contract Price - ME (\$/MWh)	Bundled Energy Contract Price less Energy Market Value (\$/MWh)	[(Bundled Energy Contract Price less Energy Market Value less RECs) X Output less Capacity] Above Market Cost (\$)	Above Market Cost (\$) (from Monthly Summary Table)
2010											
2011											
2012											
2013											
2014							31,268	\$ 91.00			
2015							31,268	\$ 92.82			
2016							31,268	\$ 94.68			
2017							31,268	\$ 96.57			
2018							31,268	\$ 98.50			
2019							31,268	\$ 100.47			
2020							31,268	\$ 102.48			
2021							31,268	\$ 104.53			
2022							31,268	\$ 106.62			
2023							31,268	\$ 108.75			
2024							31,268	\$ 110.93			
2025							31,268	\$ 113.15			
2026							31,268	\$ 115.41			
2027							31,268	\$ 117.72			
2028							31,268	\$ 120.07			
2029											
2030											
2031											
2032											
2033											
2034											
2035											
2036											
2037											
TOTAL							469,020		TOTAL	\$ (14,743,919)	\$ (14,667,859)
NPV (7%)							284,786		NPV (7%)	\$ (8,442,708)	\$ (8,397,045)
Levelized Market Comparison (\$/MWh)										\$ (29.65)	\$ (29.49)

Run-of-River Hydro                      3.858 MW  
Capacity Factor for FCM                      90%  
Escalation    2%



REDACTED

Attachment 2 - Revised Exhibit 2 (Redacted)  
Docket 4319 - Review of Power Purchase Agreement  
Black Bear Development Holdings, LLC  
Pursuant to RIGL 39-26.1  
Witnesses: Madison N. Milhous, Jr. & Corinne M. Abrams  
Supplemental Testimony  
May 8, 2012  
Page 2 of 4

Monthly Table													
RI Energy Prices (ESAI)		ME Energy Prices (ESAI)		BB Production		Capacity	RECs	Zonal Price Separation	RI Market Value	Black Bear ME Price	Above Mkt Costs		
On-Peak	Off-Peak	On-Peak	Off-Peak	On-Peak	Off-Peak	\$/kw-mo	\$/MWH						
2014	Jan-14			1,240	1,424								
2014	Feb-14			1,133	1,301								
2014	Mar-14			1,281	1,471								
2014	Apr-14			1,234	1,417								
2014	May-14			1,204	1,382								
2014	Jun-14			1,138	1,305								
2014	Jul-14			1,170	1,342								
2014	Aug-14			1,204	1,381								
2014	Sep-14			1,164	1,335								
2014	Oct-14			1,262	1,449								
2014	Nov-14			1,244	1,427								
2014	Dec-14			1,285	1,475								
2015	Jan-15			1,240	1,424								
2015	Feb-15			1,133	1,301								
2015	Mar-15			1,281	1,471								
2015	Apr-15			1,234	1,417								
2015	May-15			1,204	1,382								
2015	Jun-15			1,138	1,305								
2015	Jul-15			1,170	1,342								
2015	Aug-15			1,204	1,381								
2015	Sep-15			1,164	1,335								
2015	Oct-15			1,262	1,449								
2015	Nov-15			1,244	1,427								
2015	Dec-15			1,285	1,475								
2016	Jan-16			1,240	1,424								
2016	Feb-16			1,133	1,301								
2016	Mar-16			1,281	1,471								
2016	Apr-16			1,234	1,417								
2016	May-16			1,204	1,382								
2016	Jun-16			1,138	1,305								
2016	Jul-16			1,170	1,342								
2016	Aug-16			1,204	1,381								
2016	Sep-16			1,164	1,335								
2016	Oct-16			1,262	1,449								
2016	Nov-16			1,244	1,427								
2016	Dec-16			1,285	1,475								
2017	Jan-17			1,240	1,424								
2017	Feb-17			1,133	1,301								
2017	Mar-17			1,281	1,471								
2017	Apr-17			1,234	1,417								
2017	May-17			1,204	1,382								
2017	Jun-17			1,138	1,305								
2017	Jul-17			1,170	1,342								
2017	Aug-17			1,204	1,381								
2017	Sep-17			1,164	1,335								
2017	Oct-17			1,262	1,449								
2017	Nov-17			1,244	1,427								
2017	Dec-17			1,285	1,475								
2018	Jan-18			1,240	1,424								
2018	Feb-18			1,133	1,301								
2018	Mar-18			1,281	1,471								
2018	Apr-18			1,234	1,417								
2018	May-18			1,204	1,382								
2018	Jun-18			1,138	1,305								
2018	Jul-18			1,170	1,342								
2018	Aug-18			1,204	1,381								
2018	Sep-18			1,164	1,335								
2018	Oct-18			1,262	1,449								
2018	Nov-18			1,244	1,427								
2018	Dec-18			1,285	1,475								
2019	Jan-19			1,240	1,424								
2019	Feb-19			1,133	1,301								
2019	Mar-19			1,281	1,471								
2019	Apr-19			1,234	1,417								
2019	May-19			1,204	1,382								



REDACTED

Attachment 2 - Revised Exhibit 2 (Redacted)  
Docket 4319 - Review of Power Purchase Agreement  
Black Bear Development Holdings, LLC  
Pursuant to RIGL 39-26.1  
Witnesses: Madison N. Milhous, Jr. & Corinne M. Abrams  
Supplemental Testimony  
May 8, 2012  
Page 3 of 4

Monthly Table											
RI Energy Prices (ESAI)		ME Energy Prices (ESAI)		BB Production		Capacity	RECs	Zonal Price Separation	RI Market Value	Black Bear ME Price	Above Mkt Costs
On-Peak	Off-Peak	On-Peak	Off-Peak	On-Peak	Off-Peak	\$/kw-mo	\$/MWH				
2019	Jun-19			1,138	1,305						
2019	Jul-19			1,170	1,342						
2019	Aug-19			1,204	1,381						
2019	Sep-19			1,164	1,335						
2019	Oct-19			1,262	1,449						
2019	Nov-19			1,244	1,427						
2019	Dec-19			1,285	1,475						
2020	Jan-20			1,240	1,424						
2020	Feb-20			1,133	1,301						
2020	Mar-20			1,281	1,471						
2020	Apr-20			1,234	1,417						
2020	May-20			1,204	1,382						
2020	Jun-20			1,138	1,305						
2020	Jul-20			1,170	1,342						
2020	Aug-20			1,204	1,381						
2020	Sep-20			1,164	1,335						
2020	Oct-20			1,262	1,449						
2020	Nov-20			1,244	1,427						
2020	Dec-20			1,285	1,475						
2021	Jan-21			1,240	1,424						
2021	Feb-21			1,133	1,301						
2021	Mar-21			1,281	1,471						
2021	Apr-21			1,234	1,417						
2021	May-21			1,204	1,382						
2021	Jun-21			1,138	1,305						
2021	Jul-21			1,170	1,342						
2021	Aug-21			1,204	1,381						
2021	Sep-21			1,164	1,335						
2021	Oct-21			1,262	1,449						
2021	Nov-21			1,244	1,427						
2021	Dec-21			1,285	1,475						
2022	Jan-22			1,240	1,424						
2022	Feb-22			1,133	1,301						
2022	Mar-22			1,281	1,471						
2022	Apr-22			1,234	1,417						
2022	May-22			1,204	1,382						
2022	Jun-22			1,138	1,305						
2022	Jul-22			1,170	1,342						
2022	Aug-22			1,204	1,381						
2022	Sep-22			1,164	1,335						
2022	Oct-22			1,262	1,449						
2022	Nov-22			1,244	1,427						
2022	Dec-22			1,285	1,475						
2023	Jan-23			1,240	1,424						
2023	Feb-23			1,133	1,301						
2023	Mar-23			1,281	1,471						
2023	Apr-23			1,234	1,417						
2023	May-23			1,204	1,382						
2023	Jun-23			1,138	1,305						
2023	Jul-23			1,170	1,342						
2023	Aug-23			1,204	1,381						
2023	Sep-23			1,164	1,335						
2023	Oct-23			1,262	1,449						
2023	Nov-23			1,244	1,427						
2023	Dec-23			1,285	1,475						
2024	Jan-24			1,240	1,424						
2024	Feb-24			1,133	1,301						
2024	Mar-24			1,281	1,471						
2024	Apr-24			1,234	1,417						
2024	May-24			1,204	1,382						
2024	Jun-24			1,138	1,305						
2024	Jul-24			1,170	1,342						
2024	Aug-24			1,204	1,381						
2024	Sep-24			1,164	1,335						
2024	Oct-24			1,262	1,449						



REDACTED

Attachment 2 - Revised Exhibit 2 (Redacted)  
Docket 4319 - Review of Power Purchase Agreement  
Black Bear Development Holdings, LLC  
Pursuant to RIGL 39-26.1  
Witnesses: Madison N. Milhous, Jr. & Corinne M. Abrams  
Supplemental Testimony  
May 8, 2012  
Page 4 of 4

Monthly Table											
RI Energy Prices (ESAI)		ME Energy Prices (ESAI)		BB Production		Capacity	RECs	Zonal Price Separation	RI Market Value	Black Bear ME Price	Above Mkt Costs
On-Peak	Off-Peak	On-Peak	Off-Peak	On-Peak	Off-Peak	\$/kw-mo	\$/MWH				
2024	Nov-24			1,244	1,427						
2024	Dec-24			1,285	1,475						
2025	Jan-25			1,240	1,424						
2025	Feb-25			1,133	1,301						
2025	Mar-25			1,281	1,471						
2025	Apr-25			1,234	1,417						
2025	May-25			1,204	1,382						
2025	Jun-25			1,138	1,305						
2025	Jul-25			1,170	1,342						
2025	Aug-25			1,204	1,381						
2025	Sep-25			1,164	1,335						
2025	Oct-25			1,262	1,449						
2025	Nov-25			1,244	1,427						
2025	Dec-25			1,285	1,475						
2026	Jan-26			1,240	1,424						
2026	Feb-26			1,133	1,301						
2026	Mar-26			1,281	1,471						
2026	Apr-26			1,234	1,417						
2026	May-26			1,204	1,382						
2026	Jun-26			1,138	1,305						
2026	Jul-26			1,170	1,342						
2026	Aug-26			1,204	1,381						
2026	Sep-26			1,164	1,335						
2026	Oct-26			1,262	1,449						
2026	Nov-26			1,244	1,427						
2026	Dec-26			1,285	1,475						
2027	Jan-27			1,240	1,424						
2027	Feb-27			1,133	1,301						
2027	Mar-27			1,281	1,471						
2027	Apr-27			1,234	1,417						
2027	May-27			1,204	1,382						
2027	Jun-27			1,138	1,305						
2027	Jul-27			1,170	1,342						
2027	Aug-27			1,204	1,381						
2027	Sep-27			1,164	1,335						
2027	Oct-27			1,262	1,449						
2027	Nov-27			1,244	1,427						
2027	Dec-27			1,285	1,475						
2028	Jan-28			1,240	1,424						
2028	Feb-28			1,133	1,301						
2028	Mar-28			1,281	1,471						
2028	Apr-28			1,234	1,417						
2028	May-28			1,204	1,382						
2028	Jun-28			1,138	1,305						
2028	Jul-28			1,170	1,342						
2028	Aug-28			1,204	1,381						
2028	Sep-28			1,164	1,335						
2028	Oct-28			1,262	1,449						
2028	Nov-28			1,244	1,427						
2028	Dec-28			1,285	1,475						