

March 19, 2012

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Review of Power Purchase Agreement Black Bear Development Holdings, LLC  
Pursuant to RI General Laws § 39-26.1 et seq.  
Docket No. \_\_\_\_\_**

Dear Ms. Massaro:

Enclosed for filing with the Commission is the pre-filed testimony of Madison N. Milhous, Jr. and Corinne M. Abrams, along with a copy of a power purchase agreement (“PPA”) for the potential purchase of renewable power from Black Bear Development Holdings, LLC (“Black Bear Hydro”), which National Grid<sup>1</sup> has executed with Black Bear Hydro pursuant to R.I.G.L. Section 39-26.1 et seq. (the “Long-Term Contracting Standard”) and the Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy (collectively, the “Regulations”) promulgated by the Rhode Island Public Utilities Commission (the “Commission”).

The enclosed PPA follows the Company’s March 2, 2012 filing of its summary report on the results of the second solicitation conducted by the Company pursuant to the Long-Term Contracting Standard and the Regulations. In that filing, the Company indicated to the Commission that it had selected one proposal for a 3.9 MW run-of-river hydroelectric plant located in Orono, Maine. The Company and Black Bear Hydro executed the PPA on February 17, 2012. National Grid is pleased to submit the enclosed PPA to the Commission for its review and approval.

The Company supports approval of the agreement for several reasons. First, as explained in the testimony being filed with the PPA, the project, referred to as the “Black Bear Hydro Orono B Project,” was one of the two highest ranked projects in the second solicitation, and represented the best combination of price and project size. The Black Bear Hydro Orono B Project ranked higher in the price scoring category than other projects that submitted bids in the

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

second solicitation. Also, the Black Bear Hydro Orono B Project's size meets the 50% capacity requirement that National Grid must satisfy following the second solicitation.

Second, the pricing under the PPA is for an initial bundled energy price of 9.9 cents per kilowatt-hour in the initial year of operation based on the ISO-NE Rhode Island zone, adjusted annually by a 2% escalation factor. This pricing is at or below projected market prices over the fifteen-year term of the contract. The pricing also takes into account the energy price separation between the generator node in Maine and the Rhode Island zone, such that Black Bear Hydro will bear the risk of this zonal price separation on a dollar-for-dollar basis.

Third, as the first hydroelectric project to be selected pursuant to the Long-Term Contracting Standard, the Black Bear Hydro Orono B Project will diversify the Company's current portfolio of renewable energy resources. The project will be constructed on an existing dam in the Stillwater Branch of the Penobscot River, and will contain three vertical turbine generators, each with a nameplate rating of 1.25 MW at a power factor of 0.90. The Black Bear Hydro Orono B Project will be interconnected to an adjacent Bangor Hydro distribution substation, which is connected by the Bangor Hydro 46 kV transmission system to the Graham Substation. The Graham Substation is the location for the 115 kV interconnection to the NEPOOL Pool Transmission Facilities ("PTF"). The project has also reached a favorable stage of development with a construction start target of late summer/early fall 2012.<sup>2</sup>

Last, National Grid believes that the favorable pricing of the Black Bear Hydro Orono B Project will benefit Rhode Island customers. The Company also notes that the pricing is very similar to the Orbit Energy PPA that the Commission approved on July 28, 2011 in Docket 4265.

The Company is also enclosing a draft notice that will be published in the *The Providence Journal* to notify the public of the filing in accordance with Section 4.10 of the Regulations. The Company will publish this notice after receiving a docket number for this filing from the Commission.

Please be advised that the Company is seeking protective treatment of a confidential exhibit, identified as Exhibit 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 Exhibit 2 to the Commission pending a determination on the Company's Motion.

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<sup>2</sup> As further discussed in the testimony, in order to address the narrow construction start window, the PPA contains provisions whereby, if regulatory approval is not obtained within 105 days following execution of the PPA, Black Bear Hydro may extend the critical milestone dates in Section 3.1 of the PPA for up to 75 days. If regulatory approval is not obtained within 180 days following execution of the PPA, Black Bear Hydro may terminate the PPA. These deadlines take into account the statutory timeframes for the Commission's review of the PPA as set forth in R.I.G.L. § 39-26.1-3.

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For the reasons set forth above, National Grid recommends that the Commission approve the enclosed PPA. National Grid looks forward to participating in the proceedings and assisting the Commission in its review of the agreement.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Jennifer Brooks Hutchinson". The signature is written in a cursive style with a horizontal line extending to the right.

Jennifer Brooks Hutchinson

Enclosures

cc: Leo Wold, Esq.  
Steve Scialabba, Division

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

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

**Docket No. \_\_\_\_\_**

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**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 March 19, 2012, National Grid is filing with the Commission a signed power purchase agreement that it negotiated with Black Bear Development Holdings, LLC (“Black Bear”), pursuant to the requirements of R.I.G.L. § 39-26.1 *et seq.* Also on March 19, 2012, the Company is submitting testimony in this proceeding. As an exhibit (Exhibit 2) to the testimony of National Grid’s witnesses, Mr. Madison N. Milhous, Jr.

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

and Ms. Corinne M. Abrams, the Company is submitting redacted and un-redacted versions of a confidential spreadsheet that illustrates a comparison of the Black Bear PPA pricing to the market price forecasts for energy, capacity and renewable energy credits (“RECs”) prepared by Energy Security Analysis, Inc. (“ESAI”). ESAI prepared this forecast 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, National Grid requests that the Commission give the information contained in the un-redacted version of Exhibit 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 information regarding the ESAI forecast contained in the un-redacted version of Exhibit 2 was developed by ESA 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 Exhibit 2 to the Commission 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 Exhibit 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,



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

Dated: March 19, 2012

THE NARRAGANSETT ELECTRIC COMPANY

D/B/A NATIONAL GRID

DOCKET NO. \_\_\_\_\_

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

MARCH 19, 2012

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**PRE-FILED DIRECT TESTIMONY**

**OF**

**MADISON N. MILHOUS, JR.**

**AND**

**CORINNE M. ABRAMS**

**March 19, 2012**

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1 **I. Introduction**

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

3 A. My name is Madison N. Milhous, Jr., and my business address is 100 East Old Country  
4 Road, Hicksville, New York 11801.

5

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

7 A. I am Director, Renewable Energy Projects, for the Energy Procurement organization at  
8 National Grid USA.<sup>1</sup> In this capacity, I have been involved in competitive solicitations  
9 and negotiations for Power Purchase Agreements (“PPAs”) for renewable energy  
10 projects. The PPAs for the Company have included agreements with the following:  
11 Deepwater Wind Block Island, LLC (“Deepwater Wind”), Rhode Island LFG Genco,  
12 LLC (“RI LFG Genco”), and Orbit Energy Rhode Island, LLC (“Orbit Energy”). I also  
13 negotiated the PPA between Cape Wind Associates, LLC (“Cape Wind”) and National  
14 Grid’s Massachusetts electric distribution affiliates. In addition, I led National Grid’s  
15 participation in the joint effort of the Massachusetts electric distribution companies and  
16 the Massachusetts Department of Energy Resources in a solicitation process leading to  
17 long-term contracts for renewable energy resources, under the provisions of the  
18 Massachusetts Green Communities Act. More recently, I was involved in the

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<sup>1</sup> Throughout this testimony, I will refer to National Grid USA and its subsidiaries as “National Grid.” For purposes of clarity, when I intend to refer to The Narragansett Electric Company, I will use the term the “Company.”

1 Company's implementation of the Rhode Island Distributed Generation Standard  
2 Contracts Act<sup>2</sup>, including the negotiation and development of the standard PPAs to be  
3 entered into under that law.

4  
5 **Q. Mr. Milhous, please describe your educational background and professional**  
6 **experience.**

7 **A.** I have Bachelor of Engineering and Master of Science degrees in Aerospace Engineering  
8 from Georgia Institute of Technology and a Master of Science Degree in Marine Science  
9 from New York's Stony Brook University.  
10 Prior to focusing on renewable energy projects, I was responsible for monitoring and  
11 engaging in developments in market structure and operations in the New York  
12 Independent System Operator ("NYISO") and ISO New England Inc. ("ISO-NE")  
13 markets, and in other regulatory and policy developments that directly affect electric  
14 power procurement. I also served as acting director of Electric Supply and Distributed  
15 Generation, which was responsible for electric supply procurement for National Grid's  
16 electric distribution companies. In a prior assignment, I handled the NYISO market  
17 relations function for KeySpan Energy Supply, which was responsible for fuel supply and  
18 electric energy trading for the generating units owned by KeySpan-Ravenswood, LLC  
19 ("Ravenswood"). Previously, I was Director of the Power Engineering Department,

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<sup>2</sup> R.I.G.L. § 39-26.2-1 *et seq.*

1 which provided engineering services for Ravenswood, and other KeySpan Corporation  
2 (“KeySpan”) generating units. Prior to that position, I was Director of the Electric  
3 Planning and Forecasting Department, which provided resource and transmission and  
4 distribution system planning services to the Long Island Power Authority. Preceding this  
5 assignment, I was the Manager of Environmental Engineering at the Long Island  
6 Lighting Company. I am registered as a Professional Engineer in New York and South  
7 Carolina (currently inactive). I am familiar with wholesale power pricing, ISO-NE  
8 market structures and operations, load forecasting, power generation equipment,  
9 environmental regulations and permitting, and electric transmission and distribution.

10  
11 **Q. Have you previously testified before the Commission?**

12 **A.** Yes. I testified in the following dockets before the Commission: RIPUC Docket No.  
13 4041, the Company’s Standard Offer Procurement Plan; RIPUC Docket No. 4050, the  
14 Renewable Resource Adequacy proceeding; RIPUC Dockets No. 4111 and No. 4185  
15 regarding the initial PPA and the amended PPA with Deepwater Wind; RIPUC Docket  
16 No. 4150, Long-Term Contracts for Renewable Energy Projects; and RIPUC Docket No.  
17 4265, regarding the PPA with Orbit Energy.

1 **Q. Have you testified before any other state regulatory agencies?**

2 **A.** Yes. I have testified before the New York Public Service Commission regarding electric  
3 system planning and wholesale electric market activities, and before the New York State  
4 Department of Environmental Conservation regarding environmental matters. I also have  
5 testified in a proceeding before the Massachusetts Department of Public Utilities relating  
6 to a petition for approval of the PPA between Cape Wind and National Grid's affiliates in  
7 Massachusetts.

8  
9 **Q. Ms. Abrams, please state your name and business address.**

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

12  
13 **Q. Ms. Abrams, by whom are you employed and in what position?**

14 **A.** I am the Manager of Environmental Transactions for the Energy Procurement  
15 organization at National Grid. In this capacity, I am involved with the competitive  
16 solicitations for renewable energy projects, negotiations for PPAs for renewable energy  
17 projects, and the development of National Grid policies on renewable energy. For the  
18 Company, these activities include competitive solicitations under the Long-Term  
19 Contracting Standard and enrollments under the Distributed Generation Standard  
20 Contracts Act.

1 **Q. Ms. Abrams, please describe your educational background and professional**  
2 **experience.**

3 A. I graduated from Drexel University in 2005 with a Bachelor of Engineering in Civil  
4 Engineering. I am currently pursuing a Master of Business Administration in Finance  
5 from Baruch College, with an expected graduation in 2013.

6 In July 2005, I joined KeySpan as an Engineer in Generation Operations. I was accepted  
7 into the Engineering Rotation Program and held various positions of increasing  
8 responsibility in Power Engineering, Generating Plant (Steam and Gas Turbine)  
9 Operations, and Maintenance Services. In November 2009, as part of a management  
10 development initiative, I joined Energy Portfolio Management as the technical advisor to  
11 the Senior Vice President. I was named to my current position in June 2011. Beginning  
12 in January 2011, I began working with Mr. Milhous on long-term contracting for  
13 renewable energy resources under the Massachusetts Green Communities Act and the  
14 Rhode Island Long Term Contracting Standard. I was involved in the Company's first and  
15 second solicitations under the Long-Term Contracting Standard. Following the enactment  
16 of the Distributed Generation Standard Contracts Act, I participated in the development of  
17 the rules and enrollment process and the standard contracts, and conducted the initial  
18 enrollment in December 2011.

19

1 **Q. Have you previously testified before the Rhode Island Public Utilities Commission**  
2 **(“Commission”)?**

3 A. No. However, I have participated in the Technical Sessions for Dockets 4277 and 4288,  
4 which dealt with the enrollment rules and process, ceiling prices, and standard contract  
5 under the Distributed Generation Standard Contracts Act.

6  
7 **Q. What is the purpose of your testimony?**

8 A. The purpose of our testimony is to (1) describe the Company’s selection of the Black  
9 Bear Hydro Orono B project (the “Black Bear Hydro Orono B Project”) in the second  
10 competitive solicitation under the provisions of the Chapter 39-26.1 of the Rhode Island  
11 General Laws (the “Long-Term Contracting Standard”) and the Rules and Regulations  
12 Governing Long-Term Contracting Standards for Renewable Energy (collectively, the  
13 “Regulations”) and (2) explain the pricing and other key provisions of the PPA that the  
14 Company negotiated with Black Bear Development Holdings, LLC (“Black Bear  
15 Hydro”), the developer of the Black Bear Hydro Orono B Project.

16  
17 **Q. Please provide an overview of your involvement with this project?**

18 A. Together, we handled the solicitation process, the evaluation of the bids received, the  
19 development of recommendations to the Company’s management regarding those bids,

1 and the negotiation of a PPA between the Company and Black Bear Hydro dated  
2 February 17, 2012 (“Black Bear Hydro PPA”).  
3

4 **Q. Are you sponsoring attachments to your testimony?**

5 **A.** Yes. The following Exhibits are included with the testimony:

- 6 1. Black Bear Hydro PPA;
- 7 2. Comparison of Black Bear Hydro PPA Pricing to ESAI Forecast of Market Prices; and
- 8 3. Redacted Summary Report of the Company’s Second Solicitation for Long-Term  
9 Contracts for Renewable Energy Projects.

10 **II. The Company’s Selection of the Black Bear Hydro Orono B Project**

11 **Q. Why did the Company select the Black Bear Hydro Orono B Project for negotiation  
12 of a PPA?**

13 **A.** As stated in the Request For Proposals (the “RFP”) for the second competitive  
14 solicitation (the “Second Solicitation”), the Company was required to reach 50 percent of  
15 the 90 MW minimum long-term contract capacity required under the Long-Term  
16 Contracting Standard by December 31, 2011. Through the execution of the RI LFG  
17 Genco PPA for the Town of Johnston Project, the amended PPA with Deepwater Wind,  
18 and execution of the PPA with Orbit Energy following the first annual solicitation, the  
19 Company had executed contracts for 46 percent of the 90 MW requirement. Thus, the

1 Company was required to reach an additional four percent of the 90 MW, or 3.6 MW, in  
2 the Second Solicitation.

3  
4 The Company selected the Black Bear Hydro Orono B Project, which is equivalent to 3.6  
5 MW of contract capacity, for two reasons. First, of the bids received in the Second  
6 Solicitation, Black Bear Hydro represented the best value in terms of price and size,  
7 because it was one of the two lowest bids received, and met the capacity requirement of  
8 the Second Solicitation. Second, as further discussed below, the Black Bear Hydro  
9 pricing is favorable relative to a forecast of the market value of capacity, energy, and  
10 renewable energy credits (“RECs”) prepared by Energy Security Analysis Inc. (“ESAI”).  
11 It should also be noted that by meeting the requirement of this Second Solicitation, ample  
12 “headroom” remains under the 90 MW minimum requirement for the remaining  
13 solicitations under both the Long-Term Contracting Standard and the enrollments of the  
14 Distributed Generation Standard Contracts Act.<sup>3</sup>

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<sup>3</sup> Under the Distributed Generation Standard Contracts Act, Distributed Generation (“DG”) standard contracts will contribute 40 MW of nameplate capacity, or approximately 10 percent of the 90 MW requirement. Assuming that the Deepwater Wind project is built as five (5) 6MW turbine generators, and counting 0.8 MW of contract capacity (5 MW nameplate) from the initial DG standard contract enrollment, the Black Bear Hydro PPA would bring the total contract capacity to 51.5% of the 90 MW requirement.

1 **Q. Please describe the solicitation process and the bid evaluation process.**

2 **A.** Exhibit 3 to our testimony contains a redacted copy of the Company's summary report on  
3 the Second Solicitation that was filed with the Commission on March 2, 2012.<sup>4</sup> This  
4 report describes the Second Solicitation process as well as the process for evaluation of  
5 the bids received in response to the Second Solicitation. Appendix A of the confidential  
6 version of that report summarizes the bids received in terms of technology, location,  
7 capacity, estimated capacity factor, and pricing. Appendix A also summarizes the results  
8 of the evaluation and ranking process. The Black Bear Hydro Orono B Project was one  
9 of the two highest ranked projects, and represented the best combination of price and  
10 project size.

11

12 **Q. Does the project provide economic benefit to Rhode Island?**

13 **A.** Yes. There is a projected cost benefit. This contract is forecasted over the entire term to  
14 result in the Company paying less than the market price, based on the Company's current  
15 market price forecast for capacity, energy and RECs. Thus, there is a projected cost  
16 savings to customers in Rhode Island.

17

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19

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<sup>4</sup> The Company filed the confidential version of the summary report for the Second Solicitation, subject to a Motion for Protective Treatment, which is currently pending with the Commission.

1 **III. The Black Bear Hydro Orono B Project**

2 **Q. Please describe the Black Bear Hydro Orono B Project.**

3 **A.** The Black Bear Hydro Orono B Project is a 3.75 MW (nameplate) run-of-river  
4 hydroelectric project to be located in Orono, Maine. The Black Bear Hydro Orono B  
5 Project will be constructed adjacent to the existing “Orono A” facility, on an existing  
6 dam in the Stillwater Branch of the Penobscot River.<sup>5</sup> The Black Bear Hydro Orono B  
7 Project will require the construction of a new intake structure as an “extension” of the  
8 existing intake structure for Orono A, and the construction of a new penstock and  
9 powerhouse on bedrock in the relatively shallow “edge” of the river channel. The new  
10 powerhouse will contain three vertical turbine generators, each with a nameplate rating of  
11 1.25 MW at a power factor of 0.90. The expected ISO-NE claimed capability is 3.428  
12 MW (summer) and 3.623 MW (winter). The maximum expected hourly output is 4.187  
13 MW, and the expected annual output is 31,268 MWh, which represents a capacity factor  
14 of approximately 90%. The high capacity factor reflects the sizing of the turbine  
15 generator capacity to match a high probability river flow expected at this location, and  
16 has been documented in the energy resource assessment provided with the proposal.  
17 The Black Bear Orono B Project will be interconnected to an adjacent Bangor Hydro  
18 distribution substation, which is connected by the Bangor Hydro 46 kV transmission

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<sup>5</sup> The project is located on the Stillwater Branch at the convergence with the Penobscot River.

1 system to the Graham Substation. The 115 kV interconnection to the NEPOOL Pool  
2 Transmission Facilities (“PTF”) is at the Graham Substation.

3

4 **Q. Please describe the current status of project development.**

5 **A.** The project has reached an advanced stage of permit acquisition, engineering and design,  
6 and the procurement of some long lead time items has been completed. National Grid  
7 representatives visited the site on November 18, 2011 to confirm the basic characteristics  
8 of the project. Because the ability to initiate construction is limited by river flow  
9 conditions, late summer 2012 is an optimum time to construct coffer dams and the  
10 foundation of the powerhouse, which would then enable the construction of the new  
11 penstock and powerhouse to proceed during higher flow conditions.

12

13 **Q. When is the project scheduled for commercial operation?**

14 **A.** The project has a projected commercial operation date of December 31, 2013, which the  
15 Company considers reasonable based on certain critical milestones for the construction of  
16 the project that are more particularly set forth in Section 3.1(a) of the PPA.

1 **IV. Black Bear Hydro PPA Pricing and Other PPA Provisions**

2 **Q. Please generally describe the Black Bear Hydro PPA?**

3 **A.** The Black Bear Hydro PPA is “unit contingent,” meaning Black Bear Hydro is only  
4 obligated to sell energy and RECs to the extent that they are generated by the Black Bear  
5 Hydro Orono B Project.

6 **Q. Please describe the pricing in the Black Bear Hydro PPA.**

7 **A.** The pricing in the Black Bear Hydro PPA is for “bundled renewable energy” (i.e.  
8 capacity, energy, and RECs) at an initial price of 9.9 cents per kilowatt-hour in the initial  
9 year of operation, escalating at a rate of two percent annually. The basis for the energy  
10 pricing is the ISO-NE Rhode Island Zone.

11

12 **Q. Please describe the rationale for basing the energy pricing on the ISO-NE Rhode**  
13 **Island Zone, as opposed to the Maine Zone.**

14 **A.** First, the purchase of energy under the contract and the sale in the Rhode  
15 Island Zone should enable the Company to use the energy in Rhode Island, which is  
16 consistent with the statute's underlying goal of developing renewable energy supplies for  
17 Rhode Island.

18 Second, consultation with ISO-NE confirmed that assignment of the output from the  
19 Black Bear Orono B Hydro Project to the Company through a generator asset registration  
20 form would result in credit to the Company at the Rhode Island zonal price. The Black

1 Bear Orono B Hydro Project will be treated by ISO-NE as a Settlement Only Generator,  
2 and its energy will be priced in the real time market at the generator node clearing price  
3 (Graham Substation). In the ISO-NE settlement process, the Company would be  
4 credited with real time energy at the Rhode Island zonal price. However, the Company  
5 would also receive charges from ISO-NE for the “price separation,” i.e. the difference  
6 between the real time prices at the generator node in Maine and the Rhode Island zone.  
7 The price separation would be attributed to losses and congestion, and for any given hour  
8 could be positive or negative. As further explained below, the bundled pricing in the  
9 PPA accounts for the expected energy price separation between the Maine generator zone  
10 and the Rhode Island Zone, such that Black Bear Hydro bears the risk of that price  
11 separation.

12  
13 Finally, receiving credit at the Rhode Island zone provides flexibility in future utilization  
14 of the energy, such that the energy would be valued at Rhode Island market cost  
15 (including price separation).

16 **Q. Please describe how price separation is dealt with in the Black Bear Hydro PPA.**

17 **A.** As mentioned above, the bundled pricing in the Black Bear Hydro PPA accounts for the  
18 expected energy price separation between the generator zone in Maine and the Rhode  
19 Island Zone. Thus, Black Bear Hydro has agreed to bear the risk of the actual zonal price

1 separation (congestion and losses) in the contract price, and will absorb any price  
2 separation through the monthly netting process. As described in Exhibit E to the PPA,  
3 the bundled price paid for energy, capacity and RECs is adjusted for zonal price  
4 separation, as determined by ISO-NE in each hour, with the limitation that the adjustment  
5 on a monthly basis shall not be less than zero. In other words, the cumulative price paid  
6 by the Company for the power in any month will not exceed 9.9 cents per kilowatt-hour,  
7 adjusted for the escalation factor, on a cumulative basis for that month, even if the  
8 cumulative hourly price in that month in the generator zone in Maine is higher than the  
9 cumulative hourly price in the Rhode Island load zone. The zonal price separation  
10 reflected in the Company's ISO-NE bill will, therefore, be subtracted from the monthly  
11 payment to Black Bear Hydro on a dollar-for-dollar basis.

12  
13 **Q. Please describe how capacity is treated in the PPA pricing.**

14 **A.** The PPA pricing addresses the value of capacity in the ISO-NE Forward Capacity Market  
15 ("FCM"). Black Bear Hydro is the lead market participant in the ISO-NE capacity  
16 market. Those capacity revenues that are received, or should have been received, from  
17 ISO-NE are deducted from the bundled energy price in the monthly settlement process.  
18 As previously described, it is anticipated that Black Bear Hydro would be treated as a  
19 "settlement only generator," a designation applicable to generators of less than five MW  
20 capacity. Such generators can qualify as capacity resources, but sell into the real-time

1 market, and are not required to submit day-ahead energy bids or to schedule energy.  
2 Black Bear Hydro must make commercially reasonable efforts to qualify in the ISO-NE  
3 FCM by the third contract year, currently anticipated to be the 2016-17 capability period.  
4 Beginning with the fourth contract year, adjustments will be made to the bundled price  
5 for capacity, provided, of course, that the then current ISO-NE market rules provide for  
6 such participation.

7  
8 **Q. Please describe the ESAI market forecasts discussed above.**

9 **A.** National Grid retained ESAI to develop independent forecasts for energy, capacity and  
10 RECs as a basis for evaluating renewable energy projects. An updated energy forecast  
11 for all ISO-NE zones was provided in August 2011. The REC forecast is based on the  
12 same methodology employed by ESAI to develop the initial forecast in RIPUC Docket  
13 4111 (Deepwater Wind). This forecast was utilized to rank all bids that were submitted  
14 in response to the Company's Second Solicitation.

15  
16 **Q. Please explain how the pricing under the PPA compares to the ESAI market**  
17 **forecasts.**

18 **A.** The Black Bear Hydro PPA pricing compares favorably to the ESAI market price  
19 forecasts over the term of the PPA. Exhibit 2 attached to our testimony compares the  
20 Black Bear Hydro PPA pricing to the ESAI forecast, and shows the net present value

1 (“NPV”) over the contract term of the annual difference between contract pricing and the  
2 forecast market prices. This summary utilizes both the ESAI annual 7 X 24 and monthly  
3 peak/off-peak energy forecast for energy in the Rhode Island and Maine Zones, a FCM  
4 (capacity) forecast by ISO-NE FCM capability period, and an annual forecast of REC  
5 prices, together with the monthly peak/off peak generation profile of Black Bear Hydro,  
6 as shown in the confidential version of the spreadsheet attached to Exhibit 2. The two  
7 results are very similar. The specific contract mechanisms for price separation and for  
8 capacity are considered in the calculation. Under National Grid’s arrangement with  
9 ESAI, the energy, capacity and REC forecasts are considered proprietary, and an  
10 unredacted version of this Exhibit is being provided to the Commission and the Division  
11 under confidentiality protection.

12  
13 Specifically, the NPV of the difference between the contract cost and the market forecast  
14 is just under \$7 million below market over the term of the 15-year contract. It should be  
15 noted, however, that the projected value of the price separation that will be credited  
16 against the contract price in the monthly settlement process with Black Bear Hydro has  
17 been included in this analysis. Based on the ESAI forecast of the Maine and Rhode  
18 Island zonal prices, the value of this feature adds approximately \$1.1 million on an NPV  
19 basis over the 15-year contract term. Should price separation increase beyond the ESAI

1 forecast, this value would increase. If price separation is lower than the expected market  
2 forecast, then this value will be reduced accordingly.

3  
4 **Q. Are there any other provisions of the Black Bear Hydro PPA that you wish to**  
5 **highlight?**

6 **A.** Yes. Consistent with the provisions in the Regulations, Section 3.1(e) of the Black Bear  
7 Hydro PPA provides that the Company may terminate the Black Bear Hydro PPA after  
8 three years from the date of execution should the Company or the Commission determine  
9 that material progress on the project is not being made.

10  
11 The assignment provisions are consistent with those for the PPAs for other Rhode Island  
12 Projects, except that an additional provision is incorporated that allows Black Bear Hydro  
13 to assign the contract to an affiliate, so long as Black Bear Hydro also assigns the  
14 interconnection agreement and remains liable for all obligations under the Black Bear  
15 Hydro PPA. It is anticipated that its affiliate, Black Bear Hydro Partners, LLC, will  
16 operate and maintain the Black Bear Hydro Orono B Project.

17

18

1 **Q. Are there any differences between the Black Bear Hydro PPA provisions and the**  
2 **Orbit Energy PPA provisions that the Commission approved on July 28, 2011 that**  
3 **you wish to highlight?**

4 A. Yes. The regulatory approval provisions have been expanded for the Black Bear Hydro  
5 PPA in order to address the late summer/early fall 2012 “construction window”  
6 considerations, which are specific to river flow conditions as described above. Thus, if  
7 regulatory approval has not been received within 105 days of the execution of the Black  
8 Bear Hydro PPA (which occurred on February 17, 2012), the milestones in Section 3.1  
9 may be extended day-for-day up to 75 days. If regulatory approval has not been received  
10 after 180 days, Black Bear Hydro may terminate the Black Bear Hydro PPA. Given the  
11 critical timing of this construction window so as to meet the projected December 31,  
12 2013 commercial operation date, this provision was included in the Black Bear Hydro  
13 PPA so as to permit Black Bear Hydro to reevaluate the economics of the project and  
14 make a decision on whether to proceed, should regulatory approval be delayed.

15  
16 At the request of Black Bear Hydro, additional flexibility was also added for extension of  
17 the critical milestone dates. Under the provisions of Section 3.6, Black Bear Hydro  
18 could “extend” the deadline for commercial operation by up to an additional twelve (12)  
19 months, after exercising all other applicable provisions for extensions, by paying delay  
20 damages of \$10,000 per month. This delay damage provision does not prohibit the

1 Company from exercising its right to terminate the contract, should this point be reached,  
2 but provides a benefit to the Company’s customers to allow the project to be completed.  
3 Lastly, the Black Bear Hydro PPA does not have provisions for purchase of “test  
4 energy,” or for an “extension term.” Black Bear Hydro anticipates that the start-up  
5 testing for the Black Bear Hydro Orono B Project will be of very short duration, and did  
6 not believe that provision for purchase of test energy was necessary. With respect to an  
7 extension term, that concept was intended to provide an opportunity to capture economic  
8 benefits of a project for the period between the end of the 15-year services term and the  
9 end of the project’s useful life. Since hydroelectric facilities typically have a useful life  
10 of 50 years or more, such an extension was not practical.

11  
12 **Q. Why does the Company support Commission approval of the Black Bear Hydro**  
13 **PPA?**

14 **A.** The Company has concluded that the Black Bear Hydro PPA will benefit customers and  
15 the State of Rhode Island for the following reasons: (1) the PPA pricing was favorable  
16 relative to that of other bids received and to the ESAI market forecasts as discussed  
17 above; (2) the Black Bear Hydro Orono B Project is uniquely sized for the requirement  
18 that must be met in the Company’s Second Solicitation; and (3) the project has favorable  
19 attributes in terms of its development progress and the diversity it brings to the  
20 Company’s current portfolio of resources under the Long Term Contracting Standard.

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

2 **A. Yes.**

EXECUTION VERSION

**POWER PURCHASE AGREEMENT**

**BETWEEN**

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

**AND**

**BLACK BEAR DEVELOPMENT HOLDINGS, LLC  
AS SELLER**

**As of February 17, 2012**

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Exhibit B	Seller’s Critical Milestones – Permits and Real Estate Rights
Exhibit C	Form of Progress Report
Exhibit D	Insurance
Exhibit E	Products and Pricing
Exhibit F	Form of Certification of Extension and New Escalation Date
Exhibit G	Diagram of Delivery and Interconnection Points

## POWER PURCHASE AGREEMENT

**THIS POWER PURCHASE AGREEMENT** (this "**Agreement**") is entered into as of February 17, 2012 (the "**Agreement Date**"), 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**, Seller is developing the Orono "B" hydroelectric generating facility located in Orono Maine, which is more fully described in Exhibit A hereto (the "**Facility**"), which shall qualify as a Newly Developed Renewable Energy Resource (hereafter defined); and

**WHEREAS**, Buyer is authorized under R.I.G.L. ch. 39-26.1 to enter into long-term contracts for the purchase of energy, capacity and renewable energy certificates from a renewable generator meeting the requirements of that statute; and

**WHEREAS**, Buyer and Seller desire to enter into this Agreement whereby Buyer shall purchase from Seller all Products (as defined herein) generated by or associated with the Facility;

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

### 1. DEFINITIONS

In addition to terms defined in the recitals hereto, the following terms shall have the meanings set forth below. Any capitalized terms used in this Agreement and not defined herein shall have the same meaning as ascribed to such terms under the ISO-NE Practices and ISO-NE Rules.

"**Affiliate**" shall mean, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with, such first Person.

"**Agreement**" shall have the meaning set forth in the first paragraph of this Agreement.

"**Agreement Date**" shall have the meaning set forth in the first paragraph hereof.

"**Bundled Price**" shall have the meaning set forth in Exhibit E hereof.

"**Business Day**" shall mean a day on which Federal Reserve member banks in New York, New York are open for business; and a Business Day shall start at 8:00 a.m. and end at 5:00 p.m. Eastern Prevailing Time. Notwithstanding the foregoing, with respect to notices only, a Business Day shall not include the Friday immediately following the U.S. Thanksgiving holiday.

"**Buyer's Taxes**" shall have the meaning set forth in Section 5.4(a) hereof.

**“Capacity”** shall mean all capacity from the Facility as determined by ISO-NE’s Seasonal Claimed Capability rating (or successor or replacement rating used to measure capability) as defined in the ISO-NE Rules that is obligated to deliver and receive payments in the Forward Capacity Market (or its successor market) as set forth in the ISO-NE Rules, including without limitation as both a “New” and an “Existing” Capacity Resource as those terms are used in the ISO-NE Rules.

**“Capacity Commitment Period”** shall have the meaning set forth in the ISO-NE Rules.

**“Capacity Supply Obligations”** shall have the meaning set forth in the ISO-NE Rules.

**“Cash”** shall mean U.S. dollars held by or on behalf of a Party as Posted Collateral hereunder.

**“Certificates”** shall mean an electronic certificate created pursuant to the Operating Rules of the GIS or any successor thereto to represent the generation attributes of each MWh of Energy generated within the ISO-NE control area and the generation attributes of certain Energy imported into the ISO-NE control area.

**“Code”** shall mean the U.S. Internal Revenue Code of 1986, as amended from time to time or any successor law, and regulations issued pursuant thereto.

**“Collateral Account”** shall have the meaning specified in Section 6.5(a)(iii)(B) hereof.

**“Collateral Interest Rate”** shall mean the rate published in *The Wall Street Journal* as the “Prime Rate” from time to time (or, if more than one such rate is published, the arithmetic mean of such rates), or, if such rate is no longer published, a successor rate agreed to by Buyer and Seller, in each case determined as of the date the obligation to pay interest arises, but in no event more than the maximum rate permitted by applicable Law in transactions involving entities having the same characteristics as the Parties.

**“Collateral Requirement”** shall mean at any time the amount of Development Period Security or Operating Period Security required under this Agreement at such time.

**“Commercial Operation Date”** shall mean the date on which the conditions set forth in Section 3.3(b) have been satisfied, as set out in a written notice from Seller to Buyer.

**“Contract Capacity”** shall mean the Seasonal Claimed Capability of the Facility for the applicable month, as determined in accordance with the ISO-NE Rules.

**“Contract Maximum Amount”** shall mean 4.167 MWh per hour of Energy and a corresponding amount of all other Products.

**“Contract Year”** shall mean the twelve (12) consecutive calendar months starting on the first day of the calendar month following the Commercial Operation Date and each subsequent twelve (12) consecutive calendar month period.

**“Contract Value”** shall have the meaning set forth in Section 9.3(b) hereof.

**“Control”** shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

**“Cover Damages”** shall mean, with respect to any Delivery Shortfall, an amount equal to (a) the positive net amount, if any, by which the Replacement Price exceeds the applicable Price that would have been paid pursuant to Section 5.1 and Exhibit E hereof, multiplied by the quantity of that Delivery Shortfall, plus (b) any applicable penalties and other costs assessed by ISO-NE or any other Person against Buyer as a result of Seller’s failure to deliver such Products in accordance with the terms of this Agreement. Buyer shall provide a statement for the applicable period explaining in reasonable detail the calculation of any Cover Damages.

**“Credit Support”** shall have the meaning specified in Section 6.2(d) hereof.

**“Credit Support Delivery Amount”** shall have the meaning specified in Section 6.3 hereof.

**“Credit Support Return Amount”** shall have the meaning specified in Section 6.4 hereof.

**“Critical Milestones”** shall have the meaning set forth in Section 3.1 hereof.

**“Custodian”** shall have the meaning specified in Section 6.5(a)(i) hereof.

**“Day Ahead Energy Market”** shall have the meaning set forth in the ISO-NE Rules.

**“Default”** shall mean any event or condition which, with the giving of notice or passage of time or both, could become an Event of Default.

**“Defaulting Party”** shall mean the Party with respect to which a Default or Event of Default has occurred.

**“Delay Damages”** shall have the meaning specified in Section 3.6 hereof.

**“Deliver”** or **“Delivery”** shall mean with respect to (i) Energy, to supply Energy into Buyer’s ISO-NE account at the Delivery Point in accordance with the terms of this Agreement and the ISO-NE Rules, (ii) RECs, to supply RECs in accordance with Section 4.7(e) and (iii) Capacity, delivery consistent with Section 4.8.

**“Delivery Point”** shall mean the specific Node on the Pool Transmission Facilities, as determined by ISO-NE, where Seller shall transmit its Energy to Buyer, as shown in Exhibit G.

**“Delivery Shortfall”** shall have the meaning set forth in Section 4.3 hereof.

**“Development Period Security”** shall have the meaning set forth in Section 6.2(a) hereof.

**“Determination Date”** shall have the meaning set forth in Section 2.2(e) hereof.

**“Disputing Party”** shall have the meaning set forth in Section 6.6(a) hereof.

**“Eastern Prevailing Time”** shall mean either Eastern Standard Time or Eastern Daylight Savings Time, as in effect from time to time.

**“Effective Date”** shall have the meaning set forth in Section 2.1 hereof.

**“Eligible Renewable Energy Resource”** shall have the meaning set forth in Section 5.0 of the Code of Rhode Island Rules 90-060-015 (as amended from time to time).

**“Energy”** shall mean electric “energy,” as such term is defined in the ISO-NE Tariff, generated by the Facility as measured in kWh (unless otherwise noted) in Eastern Prevailing Time, less such Facility’s station service use, generator lead losses and transformer losses, which quantity for purposes of this Agreement will never be less than zero.

**“Environmental Attributes”** shall mean any and all generation attributes under the Renewable Energy Standard and/or under any and all other international, federal, regional, state or other law, rule, regulation, bylaw, treaty or other intergovernmental compact, decision, administrative decision, program (including any voluntary compliance or membership program), competitive market or business method (including all credits, certificates, benefits, and emission measurements, reductions, offsets and allowances related thereto) that are attributable, now or in the future, to the favorable generation or environmental attributes of the Facility or the Products produced by the Facility, up to and including the Contract Maximum Amount, during the Services Term, to: (a) any such credits, certificates, benefits, offsets and allowances computed on the basis of the Facility’s generation using renewable technology or displacement of fossil-fuel derived or other conventional energy generation; (b) any Certificates issued pursuant to the GIS in connection with Energy generated by the Facility; and (c) any voluntary emission reduction credits obtained by Seller in accordance with the terms of this Agreement in connection with the generation of Energy by the Facility; provided, however, that Environmental Attributes shall not include: (i) any production tax credits; (ii) any investment tax credits or other tax credits associated with the construction or ownership of the Facility; (iii) any cash payments or grants made in lieu of such tax credits; (iv) any tax credit or cash grant introduced after the date of this Agreement intended to supplement, replace or enhance the tax credits described in the foregoing clauses (i), (ii) or (iii); (v) any depreciation deductions permitted under the Code with respect to the Facility (including any bonus or accelerated depreciation); or (vi) any Financing, grants, guarantees or other credit support relating to the development, construction, ownership, operation or maintenance of the Facility.

“**Escalation Date**” shall have the meaning set forth in Section 5.1(b) hereof.

“**Escalation Rate**” shall mean two percent (2%) per annum.

“**Event of Default**” shall have the meaning set forth in Section 9.1 hereof and shall include the events and conditions described in Section 9.1 and Section 9.2 hereof.

“**EWG**” shall mean an exempt wholesale generator under 15 U.S.C. § 79z-5a, as amended from time to time.

“**Facility**” shall have the meaning set forth in the Recitals.

“**FERC**” shall mean the United States Federal Energy Regulatory Commission, and shall include its successors.

“**Financial Closing Date**” shall mean the date of signing of the initial agreements for any Financing of the Facility.

“**Financing**” shall mean indebtedness, whether secured or unsecured, loans, guarantees, notes, equity, convertible debt, sale-leaseback or other tax-equity transactions, bond issuances, recapitalizations and all similar financing or refinancing.

“**Force Majeure**” shall have the meaning set forth in Section 10.1(a) hereof.

“**Forward Capacity Auction**” shall have the meaning set forth in the ISO-NE Rules.

“**Forward Capacity Market**” shall have the meaning set forth in the ISO-NE Rules.

“**Generator Maintenance Outages**” shall have the meaning set forth in the ISO-NE Rules.

“**Generator Planned Outages**” shall have the meaning set forth in the ISO-NE Rules.

“**Generation Unit**” shall mean a facility that converts a fuel or an energy resource into electrical energy.

“**GIS**” shall mean the New England Power Pool Generation Information System or any successor thereto, which includes a generation information database and certificate system, operated by NEPOOL, its designee or successor entity, that accounts for generation attributes of electricity generated or consumed within New England.

“**Good Utility Practice**” shall mean compliance with all applicable laws, codes and regulations, all ISO-NE Rules and ISO-NE Practices, and any practices, methods and acts engaged in or approved by a significant portion of the electric industry in New England during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision is made, could have been expected to accomplish the desired result consistent with good

business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is intended to include acceptable practices, methods and acts generally accepted in the industry in New England.

**“Governmental Entity”** shall mean any federal, state or local governmental agency, authority, department, instrumentality or regulatory body, and any court or tribunal, with jurisdiction over Seller, Buyer or the Facility.

**“Interconnecting Utility”** shall mean the utility providing interconnection service for the Facility to the transmission or distribution system of that utility.

**“Interconnection Agreement”** shall mean an agreement between Seller and the Interconnecting Utility regarding the interconnection of the Facility to the transmission or distribution system of the Interconnecting Utility, as the case may be, as the same may be amended from time to time.

**“Interconnection Point”** shall have the meaning set forth in the Interconnection Agreement.

**“Interest Amount”** shall mean with respect to a Party and an Interest Period, the sum of the daily interest amounts for all days in such Interest Period; each daily interest amount to be determined by such Party as follows: (a) the amount of Cash held by such Party on that day (but excluding any interest previously earned on such Cash); multiplied by (b) the Collateral Interest Rate for that day; divided by (c) 360.

**“Interest Period”** shall mean the period from (and including) the last Business Day on which an Interest Amount was Transferred by Buyer (or if no Interest Amount has yet been Transferred by Buyer, the Business Day on which Cash was Transferred to Seller) to (but excluding) the Business Day on which the current Interest Amount is to be Transferred.

**“Internal Bilateral Transaction”** means the purchase or sale of electric energy or regulation obligations between two market participants internal to NEPOOL.

**“ISO”** or **“ISO-NE”** shall mean ISO New England Inc., the independent system operator established in accordance with the RTO arrangements for New England, or its successor.

**“ISO-NE Practices”** shall mean the ISO-NE practices and procedures for delivery and transmission of energy and capacity and capacity testing in effect from time to time and shall include, without limitation, applicable requirements of the NEPOOL Agreement, and any applicable successor practices and procedures.

**“ISO-NE Rules”** shall mean all rules and procedures adopted by NEPOOL, ISO-NE, or the RTO, and governing wholesale power markets and transmission in New England, as such rules may be amended from time to time, including but not limited to, the ISO-NE Tariff, the Market Rules (as defined in the ISO-NE Tariff), the ISO-NE Operating

Procedures (as defined in the ISO-NE Tariff), the ISO-NE Planning Procedures (as defined in the ISO-NE Tariff), the Transmission Operating Agreement (as defined in the ISO-NE Tariff), the Participants Agreement, the manuals, procedures and business process documents published by ISO-NE via its web site and/or by its e-mail distribution to appropriate NEPOOL participants and/or NEPOOL committees, as amended, superseded or restated from time to time.

**“ISO-NE Tariff”** shall mean ISO-NE’s Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3, as amended from time to time.

**“ISO-NE Settlement Market System”** shall have the meaning as set forth in the ISO-NE Tariff.

**“kW”** shall mean a kilowatt.

**“kWh”** shall mean a kilowatt-hour.

**“Late Payment Rate”** shall have the meaning set forth in Section 5.3 hereof.

**“Law”** shall mean all federal, state and local statutes, regulations, rules, orders, executive orders, decrees, policies, judicial decisions and notifications, including without limitation those pertaining to public health, pollution, natural resources or the environment.

**“Lender”** shall mean any party providing debt Financing for the development, construction, and ownership of the Facility, or any refinancing of that Financing, and shall include any assignee or transferee of such a party and any trustee, collateral agent or similar entity acting on behalf of such a party.

**“Letter of Credit”** shall mean an irrevocable, non-transferable, standby letter of credit, issued by a Qualified Institution utilizing a form acceptable to the Party in whose favor such letter of credit is issued. All costs relating to any Letter of Credit shall be for the account of the Party providing that Letter of Credit.

**“Letter of Credit Default”** shall mean with respect to an outstanding Letter of Credit, the occurrence of any of the following events (a) the issuer of such Letter of Credit shall fail to be a Qualified Institution; (b) the issuer of the Letter of Credit shall fail to comply with or perform its obligations under such Letter of Credit if such failure shall be continuing after the lapse of any applicable grace period; (c) the issuer of the Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; or (d) the Letter of Credit shall expire or terminate or have a Value of \$0 at any time the Party on whose account that Letter of Credit is issued is required to provide Credit Support hereunder and that Party has not Transferred replacement Credit Support meeting the requirements of this Agreement; provided, however, that no Letter of Credit Default shall occur in any event with respect to a Letter of Credit after the time such Letter of Credit is required to be cancelled or returned in accordance with the terms of this Agreement.

“**Market Participant**” shall have the meaning set forth in the ISO-NE Rules.

“**Meters**” shall have the meaning set forth in Section 4.6(a) hereof.

“**Moody’s**” shall mean Moody’s Investors Service, Inc., and any successor thereto.

“**MW**” shall mean a megawatt.

“**MWh**” shall mean a megawatt-hour (one MWh shall equal 1,000 kWh).

“**NEPOOL**” shall mean the New England Power Pool and any successor organization.

“**NEPOOL Agreement**” shall mean the Second Amended and Restated New England Power Pool Agreement dated as of February 1, 2005, as amended and/or restated from time to time.

“**NERC**” shall mean the North American Electric Reliability Council and shall include any successor thereto.

“**Network Upgrades**” shall mean any upgrades to the Pool Transmission Facilities and the Interconnecting Utility’s transmission and distribution systems, including any System Modifications under the Interconnection Agreement, necessary for Delivery of the Energy to the Delivery Point, including those that are necessary for the Facility’s Capacity to be recognized as a Capacity Resource pursuant to the ISO-NE Rules, as determined and identified in the interconnection study approved in connection with construction of the Facility.

“**Newly Developed Renewable Energy Resource**” shall mean, pursuant to R.I.G.L. § 39-26.1-2(6), an electrical generation unit that uses exclusively an Eligible Renewable Energy Resource, and either (x) has neither begun operation, nor have the developers of the unit implemented investment or lending agreements necessary to finance the construction of the unit or (y) is located within the state of Rhode Island and obtained project financing on or after January 1, 2009.

“**Node**” shall have the meaning set forth in the ISO-NE Rules.

“**Non-Defaulting Party**” shall mean the Party with respect to which a Default or Event of Default has not occurred.

“**Non-Peak Months**” shall mean the months of September, October, April and May.

“**Notification Time**” shall mean 1:00 p.m. Eastern Prevailing Time on a Business Day.

“**Obligations**” shall have the meaning specified in Section 6.1 hereof.

“**Operating Period Security**” shall have the meaning set forth in Section 6.2(b) hereof.

“**Operational Limitations**” of the Facility are the parameters set forth in Exhibit A describing the physical limitations of the Facility, including the time required for start-up, the limitation on the number of scheduled start-ups per Contract Year and the minimum operating limit(s) for the Facility.

“**Party**” and “**Parties**” shall have the meaning set forth in the first paragraph of this Agreement.

“**Permits**” shall mean any permit, authorization, license, order, consent, waiver, exception, exemption, variance or other approval by or from, and any filing, report, certification, declaration, notice or submission to or with, any Governmental Entity required to authorize action, including any of the foregoing relating to the ownership, siting, construction, operation, use or maintenance of the Facility under any applicable Law.

“**Person**” shall mean an individual, partnership, corporation, limited liability company, limited liability partnership, limited partnership, association, trust, unincorporated organization, or a government authority or agency or political subdivision thereof.

“**Pool Transmission Facilities**” has the meaning given that term in the ISO-NE Rules.

“**Posted Collateral**” shall mean all Credit Support and all proceeds thereof that have been Transferred to or received by a Party under this Agreement and not Transferred to the Party providing the Credit Support or released by the Party holding the Credit Support. Any Interest Amount or portion thereof not Transferred will constitute Posted Collateral in the form of Cash.

“**Price**” shall mean the purchase price(s) for Products referenced in Section 5.1 hereof and Exhibit E hereto.

“**Products**” shall mean Energy, Capacity and RECs; provided, however, that Energy, Capacity and RECs generated by the Facility in excess of the Contract Maximum Amount or prior to the Commercial Operation Date shall not be deemed Products.

“**Projected Annual Energy Output**” shall mean the historic average of actual generation of the Facility since the Commercial Operation Date or, solely for the period up to and including the Contract Year immediately after the Contract Year in which the Commercial Operation Date occurred, 31,268 MWh, in each case in MWh per Contract Year.

“**PUC**” shall mean the Rhode Island Public Utilities Commission and shall include its successors.

“**QF**” shall mean a cogeneration or small power production facility which meets the criteria as defined in Title 18, Code of Federal Regulations, §§ 292.201 through 292.207, as amended from time to time.

**“Qualified Institution”** shall mean a major U.S. commercial bank or trust company, the U.S. branch office of a foreign bank, or another financial institution, in any case, organized under the laws of the United States or a political subdivision thereof having assets of at least \$10 billion and a credit rating of at least (A) “A2” from Moody’s or “A” from S&P, if such entity is rated by both S&P and Moody’s or (B) “A” by S&P or “A2” by Moody’s, if such entity is rated by either S&P or Moody’s but not both.

**“Real-Time Energy Market”** shall have the meaning as set forth in the ISO-NE Rules.

**“Reference Market-Maker”** shall mean a leading dealer in the relevant market that is selected in a commercially reasonable manner and is not an affiliate of either party.

**“Regulatory Approval”** shall mean the PUC’s approval of this Agreement without material modification or conditions pursuant to R.I.G.L. §§ 39-26.1-3 through 39-26.1-5 and the regulations promulgated thereunder, including the recovery by Buyer of its costs incurred under this Agreement and remuneration equal to two and three-quarters percent (2.75%) of Buyer’s actual annual payments under this Agreement pursuant to R.I.G.L. § 39-26.1-4, which approval shall be final and not subject to appeal or rehearing and shall be acceptable to Buyer in its sole discretion.

**“Rejected Purchase”** shall have the meaning set forth in Section 4.4 hereof.

**“Renewable Energy Certificates”** or **“RECs”** shall mean all of the Certificates and any and all other Environmental Attributes associated with the Products or otherwise produced by the Facility which conform with the eligibility criteria set forth in the applicable Rhode Island regulations and are eligible to satisfy the Renewable Energy Standard, and shall represent title to and claim over all Environmental Attributes associated with the specified MWh of generation from such Newly Developed Renewable Energy Resource.

**“Renewable Energy Standard”** shall mean the requirements established pursuant to R.I.G.L. § 39-26-1 et seq. and the regulations promulgated thereunder that requires all retail electricity sellers in Rhode Island (except Block Island Power Company and Pascoag Utility District) to provide a minimum percentage of electricity from Eligible Renewable Energy Resources, and such successor laws and regulations as may be in effect from time to time.

**“Replacement Energy”** shall mean Energy purchased by Buyer as replacement for any Delivery Shortfall.

**“Replacement Price”** shall mean the price at which Buyer, acting in a commercially reasonable manner, purchases Replacement Energy and Replacement RECs plus (i) transaction and other out-of-pocket costs reasonably incurred by Buyer in purchasing such Replacement Energy and Replacement RECs and (ii) additional transmission charges, if any, reasonably incurred by Buyer to transmit Replacement Energy to the Delivery Point; provided, however, that (a) in no event shall Buyer be required to utilize

or change its utilization of its owned or controlled assets, contracts or market positions to minimize Seller's liability, (b) Buyer shall have no obligation to purchase Replacement Energy and/or Replacement RECs, and (c) if Buyer does not purchase Replacement Energy and/or Replacement RECs, the market value of Energy and/or RECs at the time of the Delivery Shortfall (as reasonably determined by Buyer) will replace the price at which Buyer purchases Energy and/or Replacement RECs in the calculation of the Replacement Price.

**"Replacement RECs"** shall mean any generation or environmental attributes, including any Certificates or other certificates or credits related thereto reflecting generation by a Newly Developed Renewable Energy Resource that are purchased by Buyer as replacement for any Delivery Shortfall.

**"Request Date"** shall have the meaning set forth in Section 6.6(a) hereof.

**"Requesting Party"** shall have the meaning set forth in Section 6.6(a) hereof.

**"Resale Damages"** shall mean, with respect to any Rejected Purchase, an amount equal to (a) the positive net amount, if any, by which the applicable Price that would have been paid pursuant to Section 4.4 hereof for such Rejected Purchase, had it been accepted, exceeds the Resale Price multiplied by the quantity of that Rejected Purchase, plus (b) any applicable penalties assessed by ISO-NE or any other Person against Seller as a result of Buyer's failure to accept such Products. Seller shall provide a written statement explaining in reasonable detail the calculation of any Resale Damages.

**"Resale Price"** shall mean the price at which Seller, acting in a commercially reasonable manner, sells or is paid for a Rejected Purchase, plus transaction and other out-of-pocket costs reasonably incurred by Seller in re-selling such Rejected Purchase; provided, however, that in no event shall Seller be required to utilize or change its utilization of the Facility or its other assets, contracts or market positions in order to minimize Buyer's liability for such Rejected Purchase.

**"Rounding Amount"** shall have the meaning specified in Section 6.2(c) hereof.

**"RTO"** shall mean ISO-NE and any successor organization or entity to ISO-NE, as authorized by FERC to exercise the functions pursuant to the FERC's Order No. 2000 and FERC's corresponding regulations, or any successor organization, or any other entity authorized to exercise comparable functions in subsequent orders or regulations of FERC.

**"S&P"** shall mean Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., and any successor thereto.

**"Schedule" or "Scheduling"** shall mean the actions of Seller and/or its designated representatives pursuant to Section 4.2, of notifying, requesting and confirming to ISO-NE the quantity of Energy to be delivered on any given day or days (or in any given hour or hours) during the Services Term at the Delivery Point.

**“Seasonal Claimed Capability”** shall mean the maximum dependable load carrying ability of the Facility in the summer or winter, excluding capacity required for use by the Facility, as determined by ISO-NE pursuant to the ISO-NE Rules.

**“Seller’s Taxes”** shall have the meaning set forth in Section 5.4(a) hereof.

**“Services Term”** shall have the meaning set forth in Section 2.2(b) hereof.

**“Substitute Credit Support”** shall have the meaning assigned in Section 6.5(f) hereof.

**“Supply Forecast”** shall have the meaning set forth in Section 9.3(b) hereof.

**“Term”** shall have the meaning set forth in Section 2.2(a) hereof.

**“Termination Payment”** shall have the meaning set forth in Section 9.3(b) hereof.

**“Transfer”** shall mean, with respect to any Posted Collateral or Interest Amount, and in accordance with the instructions of the Party entitled thereto:

(a) in the case of Cash, payment or transfer by wire transfer into one or more bank accounts specified by the Party to whom such Cash is being delivered; and

(b) in the case of Letters of Credit, delivery of the Letter of Credit or an amendment thereto to the Party to whom such Letter of Credit is being delivered.

**“Transmission Provider”** shall mean (a) ISO-NE, its respective successor or Affiliates; (b) the Interconnecting Utility; or (c) such other third parties from whom transmission services are necessary for Seller to fulfill its performance obligations to Buyer hereunder, as the context requires.

**“Unit Contingent”** means that Seller is obligated to deliver Products only to the extent that the Facility operates and generates Products.

**“Valuation Agent”** means the Requesting Party; provided, however, that that in all cases, if an Event of Default has occurred and is continuing with respect to the Party designated as the Valuation Agent, then in such case, and for so long as the Event of Default continues, the other Party shall be the Valuation Agent.

**“Valuation Date”** shall mean each Business Day.

**“Valuation Percentage”** shall have the meaning specified in Section 6.2(d) hereof.

**“Valuation Time”** shall mean the close of business on the Business Day before the Valuation Date or date of calculation, as applicable.

“**Value**” shall mean, with respect to Posted Collateral or Credit Support, the Valuation Percentage multiplied by the amount then available under the Letter of Credit to be unconditionally drawn by Buyer.

“**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; provided, however, that in the event that as a result of any change in Law, ISO-NE Rules or ISO-NE Practices after the Agreement Date, any congestion, losses or other charges are incurred by Buyer as a result of the Delivery Point being other than in the Rhode Island Load Zone, that would not have been incurred by Buyer on the Agreement Date, the Zonal Price Separation shall be increased to reflect such charges.

## 2. EFFECTIVE DATE; CONDITIONS; TERM

2.1 Effective Date. The “**Effective Date**” shall be the date that the conditions described in Section 8.1 hereof has been satisfied or waived by Buyer (unless this Agreement is terminated prior to that date in accordance with its terms).

### 2.2 Term.

(a) The “**Term**” of this Agreement is the period beginning on the Agreement Date and ending upon the final settlement of all obligations hereunder after the expiration of the Services Term or the earlier termination of this Agreement in accordance with its terms.

(b) The “**Services Term**” is the period during which Buyer is obligated to purchase Products Delivered to Buyer by Seller, commencing on the Commercial Operation Date and continuing for a period of fifteen (15) years from the Commercial Operation Date, unless this Agreement is earlier terminated in accordance with the provisions hereof.

(c) At the expiration of the Services Term under Section 2.2(b), the Parties shall no longer be bound by the terms and provisions hereof (including, without limitation, any payment obligation hereunder), except (i) to the extent necessary to provide invoices and make payments or refunds with respect to Products delivered prior to such expiration or termination, (ii) to the extent necessary to enforce the rights and the obligations of the Parties arising under this Agreement before such expiration or termination, (iii) as set forth in Section 2.2(d) and (iv) the obligations of the Parties hereunder with respect to confidentiality and indemnification shall survive the expiration or termination of this Agreement.

(d) At the expiration of the Services Term, Buyer shall have the right, exercisable in Buyer’s sole discretion, to negotiate in good faith with Seller for no more than sixty (60) days, the terms of the sale of such Energy, Capacity and/or RECs generated by the Facility (or a portion thereof, as selected by Buyer) to Buyer or its designee on an exclusive basis. If Buyer wishes to enter into such negotiation, Buyer shall notify Seller of such decision at least one hundred eighty (180) days prior to the expiration of the Services Term, and such

negotiations shall commence at least one hundred fifty (150) days prior to the expiration of the Services Term. Seller shall supply in a timely manner, information regarding the Facility which is customary to allow Buyer to perform due diligence and to negotiate in good faith for the purchase of such Energy, Capacity and RECs.

### 3. FACILITY DEVELOPMENT AND OPERATION

#### 3.1 Critical Milestones.

(a) Subject to the provisions of Section 3.1(c) and Section 8.1(a), commencing on the Effective Date, Seller shall develop the Facility in order to achieve the following milestones ("**Critical Milestones**") on or before December 31, 2013:

- (i) receipt of all Permits necessary to construct the Facility, as set forth in Exhibit B, in final form;
- (ii) acquisition of all required real property and other site control rights necessary for construction and operation of the Facility, interconnection of the Facility to the Interconnecting Utility, construction of any Network Upgrades (not including those Network Upgrades required solely to permit the Facility's Capacity to be recognized as a Capacity Resource pursuant to the ISO-NE Rules) and performance of Seller's obligations under this Agreement as set forth on Exhibit B;
- (iii) closing of Financing required in order for Seller to proceed with the construction of the Facility, including, as applicable, Seller's financial obligations with respect to interconnection of the Facility to the Interconnecting Utility and construction of the Network Upgrades;
- (iv) issuance of a full notice to proceed by Seller to its general construction contractor and commencement of construction of the Facility; and
- (v) achievement of the Commercial Operation Date.

(b) Seller shall provide Buyer with written notice of the achievement of each Critical Milestone within seven (7) days after that achievement, which notice shall include information demonstrating with reasonable specificity that such Critical Milestone has been achieved. Seller acknowledges that Buyer requires such written notice solely for monitoring purposes, and that nothing set forth in this Agreement shall create or impose upon Buyer any responsibility or liability for the development, construction, operation or maintenance of the Facility.

(c) In addition to any extension of a date for a Critical Milestone as a result of a delay in receipt of the Regulatory Approval under Section 8.3(a) or a Force Majeure under

Section 10.1, Seller may elect to extend the date for the Critical Milestones not yet achieved (i) by one year without posting additional Development Period Security and, (ii) after such initial one-year extension, by up to two additional six-month periods by posting additional Development Period Security of \$30,000 for each such six-month period. In no event may Seller exercise the right to extend the Critical Milestone date under this Section 3.1(c) by more than two (2) years in total, and in no event shall (i) any extension of the Critical Milestone Date as a result of a delay in receipt of the Regulatory Approval exceed 75 days or (ii) any extension of the Critical Milestone date as a result of one or more Force Majeure events exceed a cumulative total of twelve (12) months in addition to any extensions under this Section 3.1(c). Any such election under this Section 3.1(c) shall be made in a written notice delivered to Buyer on or prior to the date for a Critical Milestones that has not yet been achieved (as such date may have previously been extended).

(d) The Parties agree that time is of the essence with respect to the date for the Critical Milestones (as the same may be extended pursuant to Section 3.1(c)) and is part of the consideration to Buyer in entering into this Agreement.

(e) If Seller fails to make material progress toward the Commercial Operation Date, as reasonably determined by either Buyer or the PUC based on Seller's progress with respect to the milestones set forth in Section 3.1(a), within three (3) years after the Agreement Date, Buyer may terminate this Agreement by written notice to Seller delivered within sixty (60) days after the third anniversary of the Agreement Date (which termination shall be effective upon delivery of such notice), and upon such termination neither Party will have any further liability to the other hereunder except for obligations arising under Section 6.1 and Article 12.

### 3.2 Construction.

(a) Progress Reports. At the end of each calendar quarter after the Effective Date and until the Commercial Operation Date, Seller shall provide Buyer with a progress report regarding Critical Milestones not yet achieved, including projected time to completion of the Facility, in accordance with the form attached hereto as Exhibit C, and shall provide supporting documents and detail regarding the same upon Buyer's request. Seller shall permit Buyer and its advisors and consultants to review and discuss with Seller and its advisors and consultants such progress reports during business hours and upon reasonable notice to Seller.

(b) Site Access. Buyer and its representatives shall have the right but not the obligation, during business hours and upon reasonable notice to Seller, to inspect the Facility site and monitor the construction of the Facility.

### 3.3 Commercial Operation.

(a) Seller's obligation to Deliver the Products and Buyer's obligation to pay Seller for such Products commences on the Commercial Operation Date; provided that Energy, Capacity and RECs generated prior to the Commercial Operation Date shall not be deemed Products.

(b) The Commercial Operation Date shall occur on the date on which the Facility is substantially completed as described in Exhibit A and capable of regular commercial operation in accordance with Good Utility Practice, the manufacturer's guidelines for all material components of the Facility, all requirements of the ISO-NE Rules and ISO-NE Practices for the delivery of the Products to Seller have been satisfied, and all performance testing for the Facility has been successfully completed, provided Seller has also satisfied, and continues to satisfy, the following conditions precedent as of such date:

- (i) completion of all transmission and interconnection facilities and any Network Upgrades (not including those Network Upgrades required solely to permit the Facility's Capacity to be recognized as a Capacity Resource pursuant to the ISO-NE Rules), including final acceptance and authorization to interconnect the Facility from the Interconnecting Utility in accordance with the Interconnection Agreement;
- (ii) Seller has obtained and demonstrated possession of all Permits required for the lawful construction and operation of the Facility, for the interconnection of the Facility to the Interconnecting Utility (including any Network Upgrades required for such interconnection) and for Seller to perform its obligations under this Agreement, including but not limited to Permits related to environmental matters, all as set forth on Exhibit B;
- (iii) Seller has (i) qualified the Facility as an Eligible Renewable Energy Resource pursuant to and (ii) otherwise satisfied the requirements for the Facility to be a Newly Developed Renewable Energy Resource;
- (iv) Seller has acquired all real property rights and other site control rights needed to construct and operate the Facility, to interconnect the Facility to the Interconnecting Utility, to construct the Network Upgrades (not including those Network Upgrades required solely to permit the Facility's Capacity to be recognized as a Capacity Resource pursuant to the ISO-NE Rules) and to perform Seller's obligations under this Agreement;
- (v) Seller has established all ISO-NE-related accounts and entered into all ISO-NE-related agreements (including without limitation registration of the Facility as a "settlement only generator" in the ISO-NE Settlement Market System) required for the performance of Seller's obligations in connection with the Facility and this Agreement, which agreements shall be in full force and effect, including the registration of the Facility in the GIS;

- (vi) Seller has provided to Buyer I.3.9 confirmation from ISO-NE regarding approval of generation entry, has submitted the Asset Registration Form (as defined in ISO-NE Practices) for the Facility to ISO-NE and has taken such other actions as are necessary to effect the transfer of the Energy to Buyer in the ISO-NE Settlement Market System;
- (vii) Seller has successfully completed all pre-operational testing and commissioning for the Facility in accordance with manufacturer guidelines;
- (viii) Seller has satisfied and continues to satisfy all Critical Milestones;
- (ix) no Default or Event of Default by Seller shall have occurred and remain uncured;
- (x) Seller has obtained any and all necessary authorizations from FERC to sell Energy and Capacity from the Facility at market-based rates and shall be in compliance with such authorization; and
- (xi) the Facility, as constructed to date, is under the sole control of Seller (including without limitation with respect to the operation, maintenance and management of the Facility) and is either owned or leased by Seller, and Seller is a party to all material contracts relating to the construction, operation, management and maintenance of the Facility.

#### 3.4 Operation of the Facility.

(a) Compliance With Utility Requirements. Seller shall comply with, and cause the Facility to comply with: (i) Good Utility Practice; (ii) the Operational Limitations; and (iii) all applicable rules, procedures, operating policies, criteria, guidelines and requirements imposed by ISO-NE, any Transmission Provider, the Interconnecting Utility, NERC and/or any regional reliability entity, including, in each case, all practices, requirements, rules, procedures and standards related to Seller's construction, ownership or leasing, operation and maintenance of the Facility and its performance of its obligations under this Agreement (including obligations related to the generation, Scheduling, interconnection and transmission of Energy, the sale of Capacity and the transfer of RECs), whether such requirements were imposed prior to or after the Agreement Date or the Effective Date. Seller shall be solely responsible for registering, to the extent required, as the "Generator Owner" and "Generator Operator" of the Facility with NERC and any applicable regional reliability entities (other than solely as the Asset Owner for the Facility under the ISO-NE Rules).

(b) Permits. Seller shall maintain in full force and effect all Permits necessary for it to perform its obligations under this Agreement, including all Permits necessary to operate and maintain the Facility.

(c) Maintenance and Operation of Facility: Outages. Seller shall, at all times during the Term, construct, maintain and operate the Facility, or cause the Facility to be constructed, maintained and operated, in accordance with Good Utility Practice and in accordance with Exhibit A to this Agreement. Seller shall bear all costs related thereto. Seller may contract with other Persons to provide discrete construction, operation and maintenance functions, so long as Seller maintains sole ownership of or the sole leasehold interest in, and overall control over the construction, operation and maintenance of, the Facility throughout the Term. Seller shall use commercially reasonable efforts, consistent with Good Utility Practice, to schedule all Generator Maintenance Outages during Non-Peak Months, and shall schedule all Generator Planned Outages during Non-Peak Months. Seller shall provide Buyer with a schedule setting forth all Generator Planned Outages for the next twelve (12) months no later than January 15<sup>th</sup> of each calendar year of the Services Term, and shall provide Buyer with notice of any Generator Maintenance Outage within twenty-four (24) hours after Seller schedules such Generator Maintenance Outage.

(d) Interconnection Agreement. Seller shall comply with the terms and conditions of the Interconnection Agreement.

(e) ISO-NE Status. Seller shall, at all times during the Services Term, either: (i) be an ISO-NE "Market Participant" pursuant to the ISO-NE Rules; or (ii) have entered into an agreement with an ISO-NE Market Participant that shall perform all of Seller's ISO-NE-related obligations in connection with the Facility and this Agreement.

(f) Forecasts. Commencing at least thirty (30) days prior to the Commercial Operation Date and continuing throughout the Services Term, Seller shall update and deliver to Buyer on a monthly basis and in a form reasonably acceptable to Buyer, twelve (12) month rolling forecasts of Energy production by the Facility, which forecasts shall be prepared in good faith and in accordance with Good Utility Practice based on historical performance, maintenance schedules, Seller's generation projections and other relevant data and considerations. Any notable changes from prior forecasts or historical energy delivery shall be noted and an explanation provided. The provisions of this section are in addition to Seller's requirements under ISO-NE Rules and ISO-NE Practices, including ISO-NE Operating Procedure No. 5, and the Transmission Provider's rules and regulations.

(g) Eligible Renewable Energy Resource. Seller shall be solely responsible for certifying the Facility with the PUC as an Eligible Renewable Energy Resource pursuant to Section 6.0 of the Code of Rhode Island Rules 90-060-015 (as amended from time to time) and maintaining such certification throughout the Services Term; provided, however, that if the Facility ceases to qualify as an Eligible Renewable Energy Resource solely as a result of a change in Law, Seller shall only be required to use commercially reasonable efforts to maintain such certification after that change in Law.

(h) Compliance Reporting. If Buyer is subject to any certification or compliance reporting requirement with respect to the Products delivered to Buyer hereunder, then Seller shall provide any information in its possession (or, if not in Seller's possession,

available to it and not reasonably available to Buyer) requested by Buyer to permit Buyer to comply with any such reporting requirement.

(i) Insurance. Throughout the Term, and without limiting any liabilities or any other obligations of Seller hereunder, Seller shall secure and continuously carry the insurance coverage specified on Exhibit D. Within thirty (30) days prior to the start of each Contract Year, Seller shall provide Buyer with a certificate of insurance which (i) shall include Buyer as an additional insured on each policy (except worker's compensation/employer's liability policies), (ii) shall not include the legend "certificate is not evidence of coverage" or any statement with similar effect, and (iii) if any coverage is written on a "claims-made" basis, the certification accompanying the policy shall conspicuously state that the policy is "claims made." Seller shall provide Buyer with thirty (30) days prior written notice of any cancellation or diminution of coverage with respect to any insurance policy.

(j) Contacts. Each Party shall identify a principal contact or contacts, which contact(s) shall have adequate authority and expertise to make day-to-day decisions with respect to the administration of this Agreement.

(k) Compliance with Law. Without limiting the generality of any other provision of this Agreement, Seller shall be responsible for complying with all applicable requirements of Law, including all applicable rules, procedures, operating policies, criteria, guidelines and requirements imposed by FERC and any other Governmental Entity, whether imposed pursuant to existing Law or procedures or pursuant to changes enacted or implemented during the Term, including all risks of environmental matters relating to the Facility or the Facility site. Seller shall indemnify Buyer against any and all claims arising out of or related to such environmental matters and against any costs imposed on Buyer as a result of Seller's violation of any applicable Law, or ISO-NE or NERC requirements. For the avoidance of doubt, Seller shall be responsible for procuring, at its expense, all Permits and governmental approvals required for the construction and operation of the Facility in compliance with Law.

(l) FERC Status. Seller shall maintain the Facility's status as a QF or EWG at all times after the Commercial Operation Date and shall obtain and maintain any requisite authority to sell the output, including Energy and Capacity, of the Facility at market-based rates or an exemption from the requirement that it have such authority.

### 3.5 Interconnection and Delivery Services.

(a) Seller shall be responsible for all costs associated with interconnection of the Facility at the Interconnection Point, including the costs of the Network Upgrades, consistent with all standards and requirements set forth by any applicable Governmental Entity and the Interconnecting Utility.

(b) Seller shall defend, indemnify and hold Buyer harmless against any liability of Seller arising due to Seller's performance or failure to perform under the Interconnection Agreement.

### 3.6 Delay Damages.

(a) If the Commercial Operation Date is not achieved by the date set forth therefor in Section 3.1(a) (as extended pursuant to Sections 3.1(c), 8.3(a) and 10.1, if applicable), Seller shall pay to Buyer damages for each month from and after such date until the Commercial Operation Date at the rate of \$10,000 per month up to a maximum of twelve (12) months of delay, pro rated for partial months ("**Delay Damages**"). Delay Damages shall be due under this Section 3.6(a) without regard to whether Buyer exercises its right to terminate this Agreement pursuant to Section 9.3; provided, however, that if Buyer exercises its right to terminate this Agreement under Section 9.3, Delay Damages shall be due and owing to the extent that such Delay Damages were due and owing at the date of such termination.

(b) Each Party agrees and acknowledges that (i) the damages that Buyer would incur due to Seller's delay in achieving the Commercial Operation Date would be difficult or impossible to predict with certainty, and (ii) it is impractical and difficult to assess actual damages in the circumstances stated, and therefore the Delay Damages as agreed to by the Parties and set forth herein are a fair and reasonable calculation of such damages. Notwithstanding the foregoing, this Article shall not limit the amount of damages payable to Buyer if this Agreement is terminated as a result of Seller's failure to achieve the Commercial Operation Date. Any such termination damages shall be determined in accordance with Article 9.

(c) By the fifteenth (15th) day following the end of the calendar month in which Delay Damages first become due and continuing until the fifteenth (15th) day of each calendar month during the period in which Delay Damages accrue (and the following months if applicable), Buyer shall deliver to Seller an invoice showing Buyer's computation of such Delay Damages and any amount due Buyer in respect thereof for the preceding calendar month. Such invoices shall be payable in accordance with Section 5.2(b). If Seller fails to pay such amounts when due, Buyer may draw upon the Development Period Security for payment of such Delay Damages, and, subject to Article 9, Buyer may exercise any other remedies available for Seller's default hereunder.

## **4. DELIVERY OF PRODUCTS**

### 4.1 Obligation to Sell and Purchase Products.

(a) During the Services Term and subject to Section 4.1(b), Seller shall sell and Deliver, and Buyer shall purchase and receive, the Products produced by the Facility and capable of being Delivered, up to and including the Contract Maximum Amount, in accordance with the terms and conditions of this Agreement. The aforementioned obligations for Seller to sell and Deliver the Products and for Buyer to purchase and receive the same is Unit Contingent and shall be subject to the operation of the Facility.

(b) Buyer shall not be obligated to purchase or accept any Products to the extent that such Products exceed the Contract Maximum Amount in any hour.

(c) During the Services Term, Seller shall Deliver the Products produced by the Facility, up to and including the Contract Maximum Amount, exclusively to Buyer, and Seller shall not sell, divert, grant, transfer or assign such Products or any Certificate or other attribute associated with such Products to any Person other than Buyer during the Services Term. Seller shall not enter into any agreement or arrangement under which such Products can be claimed during the Services Term by any Person other than Buyer. Seller shall have the exclusive right, exercised in its sole discretion, to sell or convey the Products and any Energy, RECs or Capacity to any Person prior to the Services Term. Notwithstanding the foregoing, nothing herein shall limit or restrict the right of Seller to sell Products and receive payment thereof in connection with (x) Products in excess of the Contract Maximum Amount and/or (y) Resale Damages.

(d) In the event that ISO-NE no longer treats Capacity as a separate product and/or has discontinued or substantially altered the Forward Capacity Market (or any successor thereto) such that Capacity no longer has value in the New England bulk power market, the Parties agree that the Bundled Price of Energy as set forth in Exhibit E hereunder shall be modified such that the mutually agreed upon price shall reflect the historical economics of the combined Energy and Capacity payments and adjustments hereunder, with corresponding revisions to this Agreement to the extent required.

(e) To the extent Seller or any Affiliate of Seller expands the Facility, prior to selling the energy, capacity or generation attributes from any such expansion to another Person, Seller or such Affiliate shall give written notice thereof to Buyer. Upon Buyer's receipt of such notice, Buyer shall have the right to negotiate in good faith with Seller or such Affiliate for no more than sixty (60) days, unless otherwise agreed to by Seller or such Affiliate, the terms of the sale of such energy, capacity and/or generation attributes (or a portion thereof) to Buyer or its designee on an exclusive basis. If Buyer wishes to enter into such negotiation, Buyer shall notify Seller or such Affiliate of such decision within fifteen (15) days of receipt of Seller's or such Affiliate's notice. Seller or such Affiliate shall supply in a timely manner, information regarding such expansion(s) which is customary to allow Buyer to perform due diligence and to negotiate in good faith for the purchase of such energy, capacity and generation attributes. If Buyer and Seller or such Affiliate fail to reach agreement following such negotiation, prior to Seller or an Affiliate of Seller entering into a new agreement or an amendment to an existing agreement to sell any of the energy, capacity or generation attributes from any such expansion to another Person, Seller shall first take the actions set forth in this Section 4.1(e), as follows:

- (i) Where the term of such agreement is one (1) year or more, Seller shall first offer to Buyer in writing to amend this Agreement to incorporate the terms and conditions of such other agreement or amendment. Buyer shall have twenty (20) days to either: (1) accept all of the terms and conditions of such other agreement or amendment; or (2) accept only the pricing and term provisions included in such other agreement or amendment; or (3) decline all of the terms and conditions of such other agreement or amendment. In the event Buyer chooses either option (1) or (2) above, Seller and Buyer shall amend this Agreement to reflect the accepted terms and conditions and, to the extent Buyer

determines such amendment requires approval of or filing with the PUC or another Governmental Entity, Buyer shall use commercially reasonable efforts to apply for such approval or make such filing in accordance with, and subject to, Section 18. No amendment of this Agreement under this Section 4.1(e)(i) shall affect the quantity of Products to be received and purchased by Buyer under this Agreement.

- (ii) Where the term of such agreement is less than one (1) year, Seller or such Affiliate of Seller shall first offer to enter into such agreement for such output with Buyer on the same terms and conditions. Buyer shall have twenty (20) days to either accept or reject such agreement. In the event Buyer chooses to enter into such agreement, Buyer and Seller or such Affiliate of Seller shall promptly execute such agreement. To the extent Buyer determines such agreement requires approval of or filing with the PUC or another Governmental Entity, Buyer will use commercially reasonable efforts to apply for such approval or make such filing consistent with Section 18, and such agreement shall not become effective unless and until such approval is obtained or such filing is made.
- (iii) If Buyer fails to notify Seller of its choice within twenty (20) days after Buyer's receipt of the offer from Seller or an Affiliate of Seller under clause (i) or (ii) above, Buyer shall be deemed to have elected to decline all of the terms and conditions of such other agreement or amendment. If any required filing with or approval by the PUC or another Governmental Entity with respect to any amendment or agreement under this Section 4.1(e) as described above is not made or received within one hundred eighty (180) days after Buyer and Seller or an Affiliate of Seller enter into such amendment or agreement, then such amendment or agreement shall be void and of no further force and effect.
- (iv) If Buyer declines to enter into a new agreement or an amendment to this Agreement under this Section 4.1(e) or the filing with or approval of the PUC or another Governmental Entity relating to such agreement or amendment is not received within one hundred eighty (180) days after Buyer and Seller or an Affiliate of Seller enter into such agreement or amendment, then Seller or such Affiliate of Seller may proceed with the proposed sale of such energy, capacity or generation attributes from such expansion to another Person under the terms and conditions offered to Buyer.
- (v) This Section 4.1(e) shall only apply to bilateral agreements, and any transactions conducted in ISO-NE's Real-Time or Day-Ahead markets shall not be subject to this Section 4.1(e).

#### 4.2 Scheduling and Delivery of Energy.

(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). As of the Effective Date, 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 at 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 delivery node associated with the Facility (subject to adjustment for the Zonal Price Separation described in Section 3 of Exhibit E). 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.

(b) The Parties agree to use commercially reasonable efforts to comply with all applicable ISO-NE Rules and ISO-NE Practices in connection with the Scheduling and Delivery of Energy hereunder. Penalties or similar charges assessed by a Transmission Provider and caused by noncompliance with the Scheduling obligations set forth in this Section 4.2 shall be the responsibility of Seller.

(c) Without limiting the generality of this Section 4.2, Seller or its agent or designee shall at all times during the Services Term be designated as the "Lead Market Participant" (or any successor designation) for the Facility and shall be solely responsible for any obligations and liabilities, including all charges, penalties and financial assurance obligations, imposed by ISO-NE or under the ISO-NE Rules and ISO-NE Practices with respect to the Facility.

4.3 Failure of Seller to Deliver Products. In the event that Seller fails to satisfy any of its obligations to Deliver any of the Products hereunder in accordance with Section 4.1 and Section 4.2, and such failure is not excused under the express terms of this Agreement (a "**Delivery Shortfall**"), Seller shall pay Buyer an amount for such Delivery Shortfall equal to the Cover Damages. Such payment shall be due no later than the date for Buyer's payment for the applicable month as set forth in Section 5.2 hereof. Each Party agrees and acknowledges that (i) the damages that Buyer would incur due to a Delivery Shortfall would be difficult or impossible to predict with certainty, and (ii) it is impractical and difficult to assess actual

damages in the circumstances stated, and therefore the Cover Damages as agreed to by the Parties and set forth herein is a fair and reasonable calculation of such damages.

4.4 Failure by Buyer to Accept Delivery of Products. If Buyer fails to accept or pay for all or part of any of the Products to be purchased by Buyer hereunder and such failure to accept is not excused under the terms of this Agreement (a "**Rejected Purchase**"), then Buyer shall pay Seller, on the date payment would otherwise be due in respect of the month in which the failure occurred, an amount for such Rejected Purchase equal to the Resale Damages. Each Party agrees and acknowledges that (i) the damages that Seller would incur due to a Rejected Purchase would be difficult or impossible to predict with certainty, and (ii) it is impractical and difficult to assess actual damages in the circumstances stated, and therefore the Resale Damages as agreed to by the Parties and set forth herein is a fair and reasonable calculation of such damages.

4.5 Delivery Point.

(a) All Energy shall be Delivered hereunder by Seller to Buyer at the Delivery Point. Seller shall be responsible for the costs of delivering its Energy to the Delivery Point consistent with all standards and requirements set forth by the FERC, ISO-NE, the Interconnecting Utility and any other applicable Governmental Entity and any applicable tariff.

(b) 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.

(c) Other than with respect to Zonal Price Separation, Buyer shall be responsible for all losses, transmission charges, ancillary service charges, line losses, congestion charges and other ISO-NE or applicable system costs or charges associated with transmission incurred, in each case, in connection with the transmission of Energy delivered under this Agreement from and after the Delivery Point.

4.6 Metering.

(a) Metering. All electric metering associated with the Facility, including the Facility meter and any other real-time meters, billing meters and back-up meters (collectively, the "**Meters**"), shall be installed, operated, maintained and tested at Seller's expense in accordance with Good Utility Practice and any applicable requirements and standards issued by NERC, the Interconnecting Utility, and ISO-NE; provided that each Meter shall be tested at Seller's expense once each Contract Year. The Meters shall be used for the registration, recording and transmission of information regarding the Energy output of the Facility. Seller shall provide Buyer with a copy of all metering and calibration information and documents regarding the Meters promptly following receipt thereof by Seller.

(b) Measurements. Readings of the Meters at the Facility by the Interconnecting Utility (or an independent Person mutually acceptable to the Parties) shall be

conclusive as to the amount of Energy generated by the Facility; provided however, that Seller, upon request of Buyer and at Buyer's expense (if more frequently than annually as provided for in Section 4.6(a)), shall cause the Meters to be tested by the Interconnecting Utility in whose territory the Facility is located, and if any Meter is out of service or is determined to be registering inaccurately by more than two percent (2%), (i) the measurement of Energy produced by the Facility shall be adjusted as far back as can reasonably be ascertained, but in no event shall such period exceed six (6) months from the date that such inaccuracy was discovered, in accordance with the filed tariff of such Interconnecting Utility, and any adjustment shall be reflected in the next invoice provided by Seller to Buyer hereunder and (ii) Seller shall reimburse Buyer for the cost of such test of the Meters. Meter readings shall be adjusted to take into account the losses to Deliver the Energy to the Delivery Point. Seller shall make recorded meter data available monthly to Buyer at no cost.

(c) Inspection, Testing and Calibration. Buyer shall have the right to inspect and test any of the Meters at the Facility at reasonable times and upon reasonable notice from Buyer to Seller. Buyer shall have the right to have a representative present during any testing or calibration of the Meters at the Facility by Seller. Seller shall provide Buyer with timely notice of any such testing or calibration.

(d) Audit of Meters. Buyer shall have access to the Meters and the right to audit all information and test data related to such Meters.

(e) Notice of Malfunction. Seller shall provide Buyer with prompt notice of any malfunction or other failure of the Meters or other telemetry equipment necessary to accurately report the quantity of Energy being produced by the Facility. If any Meter is found to be inaccurate by more than two percent (2%), the meter readings shall be adjusted as far back as can reasonably be ascertained, but no event shall such period exceed six (6) months from the date that such inaccuracy was discovered, and any adjustment shall be reflected in the next invoice provided by Seller to Buyer hereunder.

(f) Telemetry. The Meters shall be capable of sending meter telemetry data, and Seller shall provide Buyer with simultaneous access to such data at no additional cost to Buyer. This provision is in addition to any requirements of Seller under ISO-NE Rules and Practices, including ISO-NE Operating Procedure No. 18.

#### 4.7 RECs.

(a) Seller shall transfer to Buyer all of the right, title and interest in and to the Facility's Environmental Attributes, including the RECs, associated with the Facility's Energy Delivered during the Services Term in accordance with the terms of this Section 4.7.

(b) All Energy provided by Seller to Buyer from the Facility under this Agreement shall meet the requirements for eligibility pursuant to the Renewable Energy Standard; provided, however, that if the Facility ceases to qualify as a Newly Developed Renewable Energy Resource solely as a result of a change in Law, Seller shall only be required to use commercially reasonable efforts to ensure that all Energy provided by Seller to Buyer

from the Facility under this Agreement meets the requirements for eligibility pursuant to the Renewable Energy Standard after that change in Law; provided that commercially reasonable efforts shall not include a judicial appeal of a denial of the Facility's qualification as a Newly Developed Renewable Energy Resource.

(c) At Buyer's request and at Seller's sole cost, Seller shall seek qualification under the renewable portfolio standard or similar law of New York and/or one or more New England states (in addition to Rhode Island) and/or any federal renewable energy standard. Seller shall use commercially reasonable efforts, consistent with Good Utility Practice, to maintain such qualification at all times during the Services Term, or until Buyer indicates such qualification is no longer necessary; provided that commercially reasonable efforts shall not include a judicial appeal of a denial of such qualification. Seller shall also submit any information required by any state or federal agency (including without limitation the PUC) with regard to administration of its rules regarding Environmental Attributes or its renewable energy standard or renewable portfolio standard to Buyer or as directed by Buyer.

(d) Seller shall comply with all GIS Operating Rules relating to the creation and transfer of all RECs to be purchased by Buyer under this Agreement and all other GIS Operating Rules to the extent required for Buyer to achieve the full value of such RECs. In addition, at Buyer's request, Seller shall register with and comply with the rules and requirements of any other tracking system or program that tracks, monetizes or otherwise creates or enhances value for Environmental Attributes, which compliance shall be at Seller's sole cost if such registration and compliance is requested in connection with Section 4.7(c) above and shall be at Buyer's sole cost in other instances.

(e) Prior to the delivery of any Energy hereunder, either (i) Seller shall cause Buyer to be registered in the GIS as the initial owner of all Certificates to be Delivered hereunder to Buyer or (ii) Seller and Buyer shall effect an irrevocable forward transfer of the Certificates to be Delivered hereunder to Buyer in the GIS. In the event any Certificates associated with the RECs to be delivered to Buyer under this Agreement are not actually deposited in Buyer's GIS account (or in a GIS account designated by Buyer to Seller in writing) on the date such Certificates are created in the GIS, Buyer shall notify Seller accordingly in writing and Seller shall, within ten (10) Business Days of receipt of such notice, credit Buyer with the value of the RECs associated with those Certificates, calculated in accordance with Section 2 of Exhibit E. Notwithstanding the foregoing or any other provision of this Agreement (including without limitation Exhibit E) to the contrary, Buyer shall withhold from any payment due to Seller under Section 5.2 after either (x) the date that is seven (7) months prior to the end of the Services Term or (y) the date on which Buyer has exercised a right to terminate this Agreement prior to the expiration of the Services Term an amount equal to the value of the RECs (calculated in accordance with Section 2 of Exhibit E) that would otherwise be included in that payment, and such withheld amount shall be paid to Seller within fifteen (15) days after the Certificates associated with those RECs have been deposited in Buyer's GIS account (or in a GIS account designated by Buyer to Seller in writing).

4.8 Capacity.

(a) Seller's Delivery of Capacity and Buyer's purchase of Capacity under the Agreement shall be solely through financial settlement pursuant to Exhibit E. Buyer shall neither take title to any Capacity nor be responsible for any actions or conditions in the Forward Capacity Market with respect to such Capacity. Subject to all other terms of this Agreement, the actions of Seller in the Forward Capacity Market, as set forth in this Section 4.8, are for the economic benefit of Buyer, as set forth in Exhibit E.

(b) Beginning with the Forward Capacity Auction for the Capacity Commitment Period beginning on June 1 of the third (3<sup>rd</sup>) Contract Year, Seller shall take commercially reasonable actions necessary to secure Capacity Supply Obligations for the Facility, including but not limited to qualifying the Facility for participation in the Forward Capacity Auctions (or reconfiguration auctions) as a New Capacity Resource or an Existing Capacity Resource (as applicable) with the maximum Seasonal Claimed Capability available for the Facility and shall participate in every Capacity Commitment Period in the Forward Capacity Market covered by the Services Term. Seller shall use commercially reasonable efforts to complete, or make utilization of, all Network Upgrades required to permit the Facility's Capacity to be recognized as a Capacity Resource that is qualified for the Forward Capacity Auction for the Capacity Commitment Period beginning on June 1 of the third (3<sup>rd</sup>) Contract Year and in each Forward Capacity Auction thereafter in accordance with the terms of this Section 4.8.

(c) Seller shall take commercially reasonable actions to bid in the Facility's Capacity (i) to clear in the Forward Capacity Auction, (ii) to secure a Capacity Supply Obligation equivalent to the Seasonal Claimed Capability of the Facility and (iii) to avoid being de-listed from the Forward Capacity Market, unless otherwise approved by Buyer in its sole discretion. Such approval shall be sought by Seller by requesting approval in writing from Buyer at least one-hundred and twenty (120) days in advance of the qualification deadline for the Forward Capacity Auction in which Seller wishes to submit a static or permanent de-list bid, or at least one-hundred and twenty (120) days in advance of the start of the Forward Capacity Auction in which Seller wishes to submit a dynamic de-list bid.

(d) Subject to the ISO-NE Rules relating to confidentiality of information provided by ISO-NE, Seller shall submit copies of all bidding documentation Seller provides to ISO-NE to Buyer to demonstrate compliance with the bidding requirements under this Section 4.8.

(e) During the Services Term, Seller shall be responsible for all performance requirements mandated by the ISO-NE Rules and ISO-NE Practices, including performance requirements (and payment of penalties, if any, other than Peak Energy Rents) associated with the Forward Capacity Market.

(f) Any failure of Seller to perform its obligations under this Section 4.8 shall not be a Default or Event of Default; provided that the Bundled Price paid by Buyer for the Products shall at all times be adjusted as set forth in Section 4 of Exhibit E without regard to

whether Seller has performed its obligations under this Section 4.8 or whether the Facility's Capacity has qualified or cleared in the Forward Capacity Market at any time. The parties acknowledge that, notwithstanding Section 4.8(b), the adjustment to the Bundled Price under Section 4 of Exhibit E commences in the fourth (4<sup>th</sup>) Contract Year.

## 5. PRICE AND PAYMENTS FOR PRODUCTS

### 5.1 Price for Products.

(a) All Products Delivered to Buyer in accordance with this Agreement shall be purchased by Buyer at the Price specified in Exhibit E and in accordance with this Section 5.1. Other than the (i) payment for the Products under this Section 5.1, (ii) payments related to Meter testing under Section 4.6(b), (iii) payments related to Meter malfunctions under Section 4.6(e), (iv) payment of any Resale Damages under Section 4.4, (v) payment of interest on late payments under Section 5.3, (vi) payments for reimbursement of Buyer's Taxes under Section 5.4(a), (vii) return of any Credit Support under Section 6.4 or Section 6.5, and (viii) payment of any Termination Payment due from Buyer under Section 9.3, Buyer shall not be required to make any other payments to Seller under this Agreement, and Seller shall be solely responsible for all costs incurred by it in connection with the performance of its obligations under this Agreement.

(b) Escalation of Price. Consistent with Exhibit E and subject to Section 2.2(e), the Bundled Price shall escalate by the Escalation Rate on each Escalation Date. For purposes of this Agreement, the "**Escalation Date**" shall initially be the first January 1 following the Commercial Operation Date and each January 1 thereafter; provided, however, that if the Commercial Operation Date is extended pursuant to Section 3.1(c), Section 8.3(a) or Section 10.1, then each Escalation Date occurring after such extension shall be delayed by the period of that extension. All delays in the Escalation Date occurring under this Section 5.1(b) shall be cumulative (i.e., shall also take into account all prior extensions), such that the period of time between January 1 of a year and the Escalation Date corresponding to that year shall be equal to the total number of days of all extensions under Section 3.1(c), Section 8.3(a) and Section 10.1. Notwithstanding any provision of this Agreement to the contrary, in no event shall there be (x) more than fourteen (14) Escalation Dates after the Commercial Operation Date. Upon any extension of the Commercial Operation Date, Seller shall deliver a certification in the form of Exhibit F setting forth the total number of days of such extension and establishing the new annual Escalation Date. Buyer shall approve such certification in its sole discretion, and any dispute regarding such certification shall be resolved in accordance with Article 11.

### 5.2 Payment and Netting.

(a) Billing Period. The calendar month shall be the standard period for all payments under this Agreement. On or before the fifteenth (15th) day following the end of each month, Seller shall render to Buyer an invoice for the payment obligations incurred hereunder during the preceding month, and based on the Energy Delivered in the preceding month. Such invoice shall contain supporting detail for all charges reflected on the invoice, and

Seller shall provide Buyer with additional supporting documentation and information as Buyer may reasonably request.

(b) Timeliness of Payment. Unless otherwise agreed to by the Parties, all invoices under this Agreement shall be due and payable in accordance with each Party's invoice instructions on or before the later of the twentieth (20th) day of each month, or the tenth (10th) day after receipt of the invoice, or if such day is not a Business Day, then on the next Business Day. Each Party shall make payments by electronic funds transfer, or by other mutually agreeable method(s), to the account designated by the other Party. Any undisputed amounts not paid by the due date shall be deemed delinquent and shall accrue interest at the Late Payment Rate, such interest to be calculated from and including the due date to but excluding the date the delinquent amount is paid in full.

(c) Disputes and Adjustments of Invoices.

- (i) All invoices rendered under this Agreement shall be subject to adjustment after the end of each month in order to true-up charges based on changes resulting from any recent ISO-NE billing statements or revisions, if any, to previous ISO-NE billing statements. If ISO-NE resettles any invoice which relates to the Products sold under this Agreement and (a) any charges thereunder are the responsibility of the other Party under this Agreement or (b) any credits issued thereunder would be due to the other Party under this Agreement, then the Party receiving the invoice from ISO-NE shall in the case of (a) above invoice the other Party or in the case of (b) above pay the amount due to the other Party. Any invoices issued or amounts due pursuant to this Section shall be invoiced or paid as provided in Section 5.2.
- (ii) Unless otherwise agreed, (i) a Party may, in good faith, dispute the correctness of any invoice or any adjustment to an invoice rendered under this Agreement, or adjust any invoice for any arithmetic or computational error within twenty-four (24) months of the date the invoice, or adjustment to an invoice, was rendered and (ii) if a Party does not challenge the accuracy within such twenty-four (24) month period, such invoice shall be binding upon that Party and shall not be subject to challenge. In the event an invoice or portion thereof, or any other claim or adjustment arising hereunder, is disputed, payment of the undisputed portion of the invoice shall be required to be made when due, with notice of the dispute given to the other Party. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment along with all available supporting documentation. Payment of the disputed amount shall not be required until the dispute is resolved. Upon resolution of the dispute, any required payment or refund shall be made within ten

(10) days of such resolution along with interest accrued at the Late Payment Rate from and including the due date (or in the case of a refund, the payment date) but excluding the date paid. If an invoice is paid and thereafter the payment or the invoice on which the payment was based is disputed, upon notice of dispute, the Party receiving payment shall hold the amount in dispute in escrow for the benefit of the prevailing Party until the resolution of such dispute. If any amount in dispute is ultimately determined (under the terms herein) to be due to the other Party, it shall be paid or returned (as the case may be) to the other Party within ten (10) Business Days of such determination along with interest accrued at the Late Payment Rate from the (i) date due and owing in accordance with the Invoice until the date paid or (ii) if the amount was paid and is to be returned, from the date paid, until the date returned. Inadvertent overpayments shall be reimbursed or deducted by the Party receiving such overpayment from subsequent payments, with interest accrued at the Late Payment Rate from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment, as directed by the other Party. Any dispute with respect to an invoice or claim to additional payment is waived unless the other Party is notified in accordance with this Section 5.2 within the referenced twenty-four (24) month period.

(d) Netting of Payments. The Parties hereby agree that they may discharge mutual debts and payment obligations due and owing to each other under this Agreement on the same date through netting, in which case all amounts owed by each Party to the other Party for the purchase and sale of Products during the monthly billing period under this Agreement, including any related damages calculated pursuant to this Agreement, interest, and payments or credits, may be netted so that only the excess amount remaining due shall be paid by the Party who owes it. If no mutual debts or payment obligations exist and only one Party owes a debt or obligation to the other during the monthly billing period, such Party shall pay such sum in full when due. The Parties agree to provide each other with reasonable detail of such net payment or net payment request.

5.3 Interest on Late Payment or Refund. A late payment charge shall accrue on any late payment or refund as specified above at the lesser of (a) the Collateral Interest Rate plus one percent (1%), and (b) the maximum rate permitted by applicable Law in transactions involving entities having the same characteristics as the Parties (the "**Late Payment Rate**").

5.4 Taxes, Fees and Levies.

(a) Seller shall be obligated to pay all present and future taxes, fees and levies, imposed on or associated with the Facility or delivery or sale of the Products ("**Seller's Taxes**"), unless Buyer collects such taxes, fees and levies upon resale of the Products (as, for example, with a value added tax). Buyer shall be obligated to pay all present and future taxes,

fees and levies, imposed on or associated with such Products after Delivery of such Products to Buyer or imposed on or associated with the purchase of such Products (other than ad valorem, franchise or income taxes which are related to the sale of the Products by Seller) and are, therefore, the responsibility of Seller) ("**Buyer's Taxes**"). In the event Seller shall be required by law or regulation to remit or pay any Buyer's Taxes, Buyer shall reimburse Seller for such payment. In the event Buyer shall be required by law or regulation to remit or pay any Seller's Taxes, Seller shall reimburse Buyer for such payment, and Buyer may deduct any of the amount of any such Seller's Taxes from the amount due to Seller under Section 5.2. Buyer shall have the right to all credits, deductions and other benefits associated with taxes paid by Buyer. Seller shall have the right to all credits, deductions and other benefits associated with taxes paid by Seller. Nothing shall obligate or cause a Party to pay or be liable to pay any taxes, fees and levies for which it is exempt under law.

(b) Seller shall bear all risks, financial and otherwise, throughout the Term, associated with Seller's or the Facility's eligibility to receive any federal or state tax credits or other incentive or subsidies or to qualify for accelerated depreciation for Seller's accounting, reporting or tax purposes.

## 6. SECURITY FOR PERFORMANCE

6.1 Grant of Security Interest. Subject to the terms and conditions of this Agreement, Seller hereby pledges to Buyer as security for all outstanding obligations under this Agreement (other than indemnification obligations surviving the expiration of the Term) and any other documents, instruments or agreements executed in connection therewith (collectively, the "**Obligations**"), and grants to Buyer a first priority continuing security interest, lien on, and right of set-off against all Posted Collateral delivered to or received by Buyer hereunder. Upon the return by Buyer to Seller of any Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without further action by either Party.

### 6.2 Seller's Support.

(a) Seller shall be required to post Credit Support in the amount of \$120,000 to secure Seller's Obligations until the Commercial Operation Date ("**Development Period Security**"). One-half of the Development Period Security shall be provided to Buyer within fifteen (15) days after the Agreement Date, and the remaining one-half of the Development Period Security shall be provided to Buyer within fifteen (15) days after the Effective Date. Buyer shall return any undrawn amount of the Development Period Security to Seller within thirty (30) days after the later of (x) Buyer's receipt of an undisputed notice from Seller that the Commercial Operation Date has occurred or (y) Buyer's receipt of the full amount of the Operating Period Security.

(b) Beginning not later than three (3) days following the Commercial Operation Date, Seller shall provide Buyer with Credit Support to secure Seller's Obligations after the Commercial Operation Date through and including the date that all of Seller's

Obligations are satisfied ("**Operating Period Security**"). The Operating Period Security shall be in the amount of \$120,000.

(c) The Credit Support Delivery Amount, as defined below, will be rounded up, and the Return Amount, as defined below, will be rounded down, in each case to the nearest integral multiple of \$10,000 ("**Rounding Amount**").

(d) The following items will qualify as "**Credit Support**" hereunder in the amount noted under "Valuation Percentage":

**"Valuation Percentage"**

(A) Cash	100%
(B) Letters of Credit	100% unless either (i) a Letter of Credit Default shall have occurred and be continuing with respect to such Letter of Credit, or (ii) twenty (20) or fewer Business Days remain prior to the expiration of such Letter of Credit, in which cases the Valuation Percentage shall be 0%.

(e) All calculations with respect to Credit Support shall be made by the Valuation Agent as of the Valuation Time on the Valuation Date.

**6.3 Delivery of Credit Support.**

On any Business Day during the Services Term on which (a) no Event of Default has occurred and is continuing with respect to Buyer, and (b) no termination date has occurred or has been designated as a result of an Event of Default with respect to Buyer for which there exist any unsatisfied payment obligations with respect to Buyer, then Buyer may request, by written notice, that Seller Transfer to Buyer, or cause to be Transferred to Buyer, Credit Support for the benefit of Buyer, having a Value of at least the Collateral Requirement ("**Credit Support Delivery Amount**"). Such Credit Support shall be delivered to Buyer on the next Business Day if the request is received by the Notification Time; otherwise Credit Support is due by the close of business on the second Business Day after the request is received.

**6.4 Reduction and Substitution of Posted Collateral.**

On any Business Day during the Services Term on which (a) no Event of Default has occurred and is continuing with respect to Seller, (b) no termination date has occurred or has been designated as a result of an Event of Default with respect to Seller for which there exist any unsatisfied payment Obligations, and (c) the Posted Collateral posted by Seller exceeds the required Operating Period Security (rounding downwards for any fractional amount to the next interval of the Rounding Amount), then Seller may, at its sole cost, request that Buyer return Operating Period Security in the amount of such difference ("**Credit Support Return**").

Amount”) and Buyer shall be obligated to do so. Such Posted Collateral shall be returned to Seller by the close of business on the second Business Day after Buyer’s receipt of such request. The Parties agree that if Seller has posted more than one type of Credit Support to Buyer, Seller can, in its sole discretion, select the type of Credit Support for Buyer to return; provided, however, that Buyer shall not be required to return the specified Credit Support if immediately after such return, Seller would be required to post additional Credit Support pursuant to the calculation of Operating Period Security.

6.5 Administration of Posted Collateral.

(a) Cash. Posted Collateral provided in the form of Cash to Buyer hereunder shall be subject to the following provisions.

- (i) So long as no Event of Default has occurred and is continuing with respect to Buyer, Buyer will be entitled to either hold Cash or to appoint an agent which is a Qualified Institution (a “Custodian”) to hold Cash for Buyer. In the event that an Event of Default has occurred and is continuing with respect to Buyer, then the provisions of Section 6.5(a)(ii) shall not apply with respect to Buyer and Cash shall be held in a Qualified Institution in accordance with the provisions of Section 6.5(a)(iii)(B). Upon notice by Buyer to Seller of the appointment of a Custodian, Seller’s Obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Cash by a Custodian will be deemed to be the holding of Cash by Buyer for which the Custodian is acting. If Buyer or its Custodian fails to satisfy any conditions for holding Cash as set forth above, or if Buyer is not entitled to hold Cash at any time, then Buyer will Transfer, or cause its Custodian to Transfer, the Cash to a Qualified Institution and the Cash shall be maintained in accordance with Section 6.5(a)(iii)(B). Except as set forth in Section 6.5(c), Buyer will be liable for the acts or omissions of the Custodian to the same extent that Buyer would be held liable for its own acts or omissions.
- (ii) Notwithstanding the provisions of applicable Law, if no Event of Default has occurred and is continuing with respect to Buyer and no termination date has occurred or been designated as a result of an Event of Default with respect to Buyer for which there exists any unsatisfied payment obligations with respect to Buyer, then Buyer shall have the right to sell, pledge, rehypothecate, assign, invest, use, comingle or otherwise use in its business any Cash that it holds as Posted Collateral hereunder, free from any claim or right of any nature whatsoever of Seller, including any equity or right of redemption by Seller.

- (iii) Notwithstanding Section 6.5(a)(ii), if neither Buyer nor the Custodian is eligible to hold Cash pursuant to Section 6.5(a)(i) then:
- (A) the provisions of Section 6.5(a)(ii) will not apply with respect to Buyer; and
- (B) Buyer shall be required to Transfer (or cause to be Transferred) not later than the close of business within five (5) Business Days following the beginning of such ineligibility all Cash in its possession or held on its behalf to a Qualified Institution to be held in a segregated, safekeeping or custody account (the **“Collateral Account”**) within such Qualified Institution with the title of the account indicating that the property contained therein is being held as Cash for Buyer. The Qualified Institution shall serve as Custodian with respect to the Cash in the Collateral Account, and shall hold such Cash in accordance with the terms of this Article 6 and for the security interest of Buyer and execute such account control agreements as are necessary or applicable to perfect the security interest of Seller therein pursuant to Section 9-314 of the Uniform Commercial Code or otherwise, and subject to such security interest, for the ownership and benefit of Seller. The Qualified Institution holding the Cash will invest and reinvest or procure the investment and reinvestment of the Cash in accordance with the written instructions of Buyer, subject to the approval of such instructions by Seller (which approval shall not be unreasonably withheld). Buyer shall have no responsibility for any losses resulting from any investment or reinvestment effected in accordance with Seller’s approval.
- (iv) So long as no Event of Default with respect to Seller has occurred and is continuing, and no termination date has occurred or been designated for which any unsatisfied payment obligations of Seller exist as the result of an Event of Default with respect to Seller, in the event that Buyer or its Custodian is holding Cash, Buyer will Transfer (or cause to be Transferred) to Seller, in lieu of any interest or other amounts paid or deemed to have been paid with respect to such Cash (all of which shall be retained by Buyer), the Interest Amount. Interest on Cash shall accrue at the Collateral Interest Rate. Interest accrued during the previous month shall be paid by Buyer to Seller on the 3rd Business Day of each calendar month and on any Business Day that posted Credit Support in the form of Cash is returned to Seller, but solely to the extent that, after making such payment, the amount of the Posted Collateral will be at least equal to the required Development Period Security or Operating Period Security, as applicable. On or after the

occurrence of an Event of Default with respect to Seller or a termination date as a result of an Event of Default with respect to Seller, Buyer or its Custodian shall retain any such Interest Amount as additional Posted Collateral hereunder until the Obligations of Seller under the Agreement have been satisfied in the case of a termination date or for so long as such Event of Default is continuing in the case of an Event of Default.

(b) Buyer's Rights and Remedies. If at any time an Event of Default with respect to Seller has occurred and is continuing, then, unless Seller has paid in full all of its Obligations that are then due, including those under Section 9.3(b) of this Agreement, Buyer may exercise one or more of the following rights and remedies: (i) all rights and remedies available to a secured party under applicable Law with respect to Posted Collateral held by Buyer, (ii) the right to set-off any amounts payable by Seller with respect to any Obligations against any Posted Collateral or the cash equivalent of any Posted Collateral held by Buyer, or (iii) the right to liquidate any Posted Collateral held by Buyer and to apply the proceeds of such liquidation of the Posted Collateral to any amounts payable to Buyer with respect to the Obligations in such order as Buyer may elect. For purposes of this Section 6.5, Buyer may draw on the undrawn portion of any Letter of Credit from time to time up to the amount of the Obligations that are due at the time of such drawing. Cash proceeds that are not applied to the Obligations shall be maintained in accordance with the terms of this Article 6. Seller shall remain liable for amounts due and owing to Buyer that remain unpaid after the application of Posted Collateral, pursuant to this Section 6.5.

(c) Seller's Rights and Remedies. If at any time a termination date has occurred or been designated as the result of an Event of Default with respect to Buyer and Buyer has provided Credit Support to Seller under Section 9.3(b), then unless Buyer has paid in full all of its obligations under Section 9.3(b) of this Agreement: (i) Seller may exercise all rights and remedies available to Seller under applicable Law with respect to any Posted Collateral provided by Buyer, (ii) Buyer will be obligated immediately to return all Posted Collateral provided by Seller, including any accrued interest to Seller, or (iii) to the extent that Posted Collateral provided by Seller, including any accrued interest, is not returned pursuant to (ii) above, Seller may set-off any amounts payable by Seller with respect to any Obligations against any posted Credit Support or the cash equivalent thereof or to the extent that Seller does not set off such amounts, withhold payment of any remaining amounts payable by Seller with respect to any obligations of Buyer, up to the value of the remaining posted Credit Support held by Buyer, until that posted Credit Support is Transferred to Seller. For avoidance of doubt, (i) Buyer will be obligated immediately to Transfer any Letter of Credit to Seller and (ii) Seller may do any one or more of the following: (x) to the extent that the Letter of Credit is not Transferred to Seller as required pursuant to (i) above, set-off any amounts payable by Seller with respect to any Obligations against any such Letter of Credit held by Buyer and, to the extent its rights to set-off are not exercised, withhold payment of any remaining amounts payable by Seller with respect to any Obligations, up to the value of any remaining posted Credit Support and the value of any Letter of Credit held by Buyer, until any such Posted Credit Support and such Letter of Credit is Transferred to Seller; and (y) exercise rights and remedies available to Seller under the terms of the Letter of Credit.

(d) Letters of Credit. Credit Support provided in the form of a Letter of Credit shall be subject to the following provisions.

- (i) As one method of providing increased Credit Support, Seller may increase the amount of an outstanding Letter of Credit or establish one or more additional Letters of Credit.
- (ii) Upon the occurrence of a Letter of Credit Default, Seller agrees to Transfer to Buyer either a substitute Letter of Credit or Cash, in each case on or before the first (1<sup>st</sup>) Business Day after the occurrence thereof (or the third (3<sup>rd</sup>) Business Day after the occurrence thereof if only clause (a) under the definition of Letter of Credit Default applies).
- (iii) Notwithstanding Sections 6.3 and 6.4, (1) Buyer need not return a Letter of Credit unless the entire principal amount is required to be returned, (2) Buyer shall consent to a reduction of the principal amount of a Letter of Credit to the extent that a Credit Support Delivery Amount would not be created thereby (as of the time of the request or as of the last time the Credit Support Delivery Amount was determined), and (3) if there is more than one form of Posted Collateral when a Credit Support Return Amount is to be Transferred, the Secured Party may elect which to Transfer.

(e) Care of Posted Collateral. Each Party shall exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable Law, and in any event a Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, each Party will have no duty with respect to the Posted Collateral, including without limitation, any duty to enforce or preserve any rights thereto.

(f) Substitutions. Unless otherwise prohibited herein, upon notice to Buyer specifying the items of Posted Collateral to be exchanged, Seller may, on any Business Day, deliver to Buyer other Credit Support ("**Substitute Credit Support**"). On the Business Day following the day on which the Substitute Credit Support is delivered to Buyer, Buyer shall return to Seller the items of Credit Support specified in Seller's notice; provided, however, that Buyer shall not be required to return the specified Posted Collateral if immediately after such return, Seller would be required to post additional Credit Support pursuant to the calculation of Development Period Security or Operating Period Security set forth in Sections 6.2(a) and 6.2(b), respectively.

#### 6.6 Exercise of Rights Against Posted Collateral

(a) Disputes regarding amount of Credit Support. If either Party disputes the amount of Credit Support to be provided or returned (such Party the "**Disputing Party**"), then the Disputing Party shall (a) deliver the undisputed amount of Credit Support to the other Party

(such Party, the “**Requesting Party**”) and (b) notify the Requesting Party of the existence and nature of the dispute no later than 5:00 p.m. Eastern Prevailing Time on the Business Day that the request for Credit Support was made (the “**Request Date**”). On the Business Day following the Request Date, the Parties shall consult with each other in order to reconcile the two conflicting amounts. If the Parties are not able to resolve their dispute, the Credit Support shall be recalculated, on the Business Day following the Request Date, by each Party requesting quotations from two (2) Reference Market-Makers for a total of four (4) quotations. The highest and lowest of the four (4) quotations shall be discarded and the arithmetic average shall be taken of the remaining two (2), which shall be used in order to determine the amount of Credit Support required. On the same day the Credit Support amount is recalculated, the Disputing Party shall deliver any additional Credit Support required pursuant to the recalculation or the Requesting Party shall return any excess Credit Support that is no longer required pursuant to the recalculation.

(b) Further Assurances. Promptly following a request by a Party, the other Party shall use commercially reasonable efforts to execute, deliver, file, and/or record any financing statement, specific assignment, or other document and take any other action that may be necessary or desirable to create, perfect, or validate any security interest or lien, to enable the requesting party to exercise or enforce its rights or remedies under this Agreement, or to effect or document a release of a security interest on posted Credit Support or accrued interest.

(c) Further Protection. Seller will promptly give notice to Buyer of, and defend against, any suit, action, proceeding, or lien (other than a banker’s lien in favor of the Custodian appointed by Buyer so long as no amount owing from Seller to such Custodian is overdue) that involves the Posted Collateral delivered to Buyer by Seller or that could adversely affect any security interest or lien granted pursuant to this Agreement.

## 7. REPRESENTATIONS, WARRANTIES, COVENANTS AND ACKNOWLEDGEMENTS

7.1 Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller as of the Agreement Date as follows:

(a) Organization and Good Standing; Power and Authority. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of Rhode Island. Subject to the receipt of the Regulatory Approval, Buyer has all requisite power and authority to execute, deliver, and perform its obligations under this Agreement.

(b) Due Authorization; No Conflicts. The execution and delivery by Buyer of this Agreement, and the performance by Buyer of its obligations hereunder, have been duly authorized by all necessary actions on the part of Buyer and do not and, under existing facts and Law, shall not: (i) contravene its certificate of incorporation or any other governing documents; (ii) conflict with, result in a breach of, or constitute a default under any note, bond, mortgage, indenture, deed of trust, license, contract or other agreement to which it is a party or by which any of its properties may be bound or affected; (iii) assuming receipt of the Regulatory Approval, violate any order, writ, injunction, decree, judgment, award, statute, law, rule,

regulation or ordinance of any Governmental Entity or agency applicable to it or any of its properties; or (iv) result in the creation of any lien, charge or encumbrance upon any of its properties pursuant to any of the foregoing.

(c) Binding Agreement. This Agreement has been duly executed and delivered on behalf of Buyer and, assuming the due execution hereof and performance hereunder by Seller and receipt of the Regulatory Approval, constitutes a legal, valid and binding obligation of Buyer, enforceable against it in accordance with its terms, except as such enforceability may be limited by law or principles of equity.

(d) No Proceedings. Except to the extent relating to the Regulatory Approval, there are no actions, suits or other proceedings, at law or in equity, by or before any Governmental Entity or agency or any other body pending or, to the best of its knowledge, threatened against or affecting Buyer or any of its properties (including, without limitation, this Agreement) which relate in any manner to this Agreement or any transaction contemplated hereby, or which Buyer reasonably expects to lead to a material adverse effect on (i) the validity or enforceability of this Agreement or (ii) Buyer's ability to perform its obligations under this Agreement.

(e) Consents and Approvals. Except to the extent associated with the Regulatory Approval, the execution, delivery and performance by Buyer of its obligations under this Agreement do not and, under existing facts and Law, shall not, require any Permit or any other action by, any Person which has not been duly obtained, made or taken or that shall be duly obtained, made or taken on or prior to the date required, and all such approvals, consents, permits, licenses, authorizations, filings, registrations and actions are in full force and effect, final and non-appealable as required under applicable Law.

(f) Negotiations. The terms and provisions of this Agreement are the result of arm's length and good faith negotiations on the part of Buyer.

(g) Bankruptcy. There are no bankruptcy, insolvency, reorganization, receivership or other such proceedings pending against or being contemplated by Buyer, or, to Buyer's knowledge, threatened against it.

(h) No Default. No Default or Event of Default has occurred and is continuing and no Default or Event of Default shall occur as a result of the performance by Buyer of its obligations under this Agreement.

7.2 Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer as of the Agreement Date as follows:

(a) Organization and Good Standing; Power and Authority. Seller is a limited liability company, validly existing and in good standing under the laws of Delaware. Subject to the receipt of the Permits listed in Exhibit B, Seller has all requisite power and authority to execute, deliver, and perform its obligations under this Agreement.

(b) Authority. Seller (i) has the power and authority to own and operate its businesses and properties, to own or lease the property it occupies and to conduct the business in which it is currently engaged; (ii) is duly qualified and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification; and (iii) holds, or shall hold by the Commercial Operation Date, all rights and entitlements necessary to construct, own or lease (as applicable) and operate the Facility and to deliver the Products to Buyer in accordance with this Agreement.

(c) Due Authorization; No Conflicts. The execution and delivery by Seller of this Agreement, and the performance by Seller of its obligations hereunder, have been duly authorized by all necessary actions on the part of Seller and do not and, under existing facts and Law, shall not: (i) contravene any of its governing documents; (ii) conflict with, result in a breach of, or constitute a default under any note, bond, mortgage, indenture, deed of trust, license, contract or other agreement to which it is a party or by which any of its properties may be bound or affected; (iii) assuming receipt of the Permits listed on Exhibit B, violate any order, writ, injunction, decree, judgment, award, statute, law, rule, regulation or ordinance of any Governmental Entity or agency applicable to it or any of its properties; or (iv) result in the creation of any lien, charge or encumbrance upon any of its properties pursuant to any of the foregoing.

(d) Binding Agreement. This Agreement has been duly executed and delivered on behalf of Seller and, assuming the due execution hereof and performance hereunder by Seller and receipt of the Permits listed on Exhibit B, constitutes a legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms, except as such enforceability may be limited by law or principles of equity.

(e) No Proceedings. Except to the extent associated with the Permits listed on Exhibit B, there are no actions, suits or other proceedings, at law or in equity, by or before any Governmental Entity or agency or any other body pending or, to the best of its knowledge, threatened against or affecting Seller or any of its properties (including, without limitation, this Agreement) which relate in any manner to this Agreement or any transaction contemplated hereby, or which Seller reasonably expects to lead to a material adverse effect on (i) the validity or enforceability of this Agreement or (ii) Seller's ability to perform its obligations under this Agreement.

(f) Consents and Approvals. Subject to the receipt of the Permits listed on Exhibit B on or prior to the date such Permits are required under applicable Law, the execution, delivery and performance by Seller of its obligations under this Agreement do not and, under existing facts and Law, shall not, require any Permit or any other action by, any Person which has not been duly obtained, made or taken, and all such approvals, consents, permits, licenses, authorizations, filings, registrations and actions are in full force and effect, final and non-appealable. To Seller's knowledge, Seller shall be able to receive the Permits listed in Exhibit B in due course and as required under applicable Law to the extent that those Permits have not previously been received.

(g) Newly Developed Renewable Energy Resource. Subject to Section 4.7(b), the Facility shall be a Newly Developed Renewable Energy Resource, qualified by the PUC as eligible to participate in the Renewable Energy Standard program under R.I.G.L. § 39-26-1 et seq., and shall have a commercial operation date, as verified by the PUC, on or after December 31, 2012.

(h) Title to Facility and Products. Seller has and shall have good and marketable title to (i) the Facility and (ii) all Products sold and delivered to Buyer under this Agreement, in each case free and clear of all liens, charges and encumbrances. Seller has not sold and shall not sell any such Products to any other Person (other than sales of Capacity in the Forward Capacity Market as contemplated by this Agreement), and no Person other than Seller can claim an interest in any Product to be sold to Buyer under this Agreement.

(i) Negotiations. The terms and provisions of this Agreement are the result of arm's length and good faith negotiations on the part of Seller.

(j) Bankruptcy. There are no bankruptcy, insolvency, reorganization, receivership or other such proceedings pending against or being contemplated by Seller, or, to Seller's knowledge, threatened against it.

(k) No Default. No Default or Event of Default has occurred and is continuing and no Default or Event of Default shall occur as a result of the performance by Seller of its obligations under this Agreement.

(l) Useful Life. As of the Effective Date, the projected useful life of the Facility is at least twenty-one (21) years.

7.3 Continuing Nature of Representations and Warranties. The representations and warranties set forth in this Section are made as of the Agreement Date and deemed made continually throughout the Term. If at any time during the Term, any Party obtains actual knowledge of any event or information which causes any of the representations and warranties in this Article 7 to be materially untrue or misleading, such Party shall provide the other Party with written notice of the event or information, the representations and warranties affected, and the action, if any, which such Party intends to take to make the representations and warranties true and correct. The notice required pursuant to this Section shall be given as soon as practicable after the occurrence of each such event.

## 8. REGULATORY APPROVAL

8.1 Receipt of Regulatory Approval. The obligations of the Parties to perform this Agreement, other than the Parties' obligations under Section 6.2(a), Section 6.3, Section 6.4, Section 6.5, Section 8.2, Section 8.3(a), and Article 12, are conditioned upon and shall not become effective or binding until the receipt of the Regulatory Approval. Buyer shall notify Seller within five (5) Business Days after receipt of the Regulatory Approval or receipt of an order of the PUC regarding this Agreement that is not acceptable in form and substance to Buyer in its sole discretion.

8.2 Filing for Regulatory Approval. Buyer shall (i) use commercially reasonable efforts to file an application for the Regulatory Approval with the PUC by not later than thirty (30) days after the Agreement Date and (ii) at Buyer's sole discretion, exercise commercially reasonable efforts to obtain the Regulatory Approval, including using commercially reasonable efforts to obtain a favorable resolution in any appeal of an order of the PUC with respect to this Agreement; provided that Buyer shall have no obligation to appeal a PUC order that it determines is unacceptable. Seller shall have the right to intervene in the proceeding before the PUC and shall use commercially reasonable efforts to cooperate with Buyer (but only as requested by Buyer) in obtaining the Regulatory Approval.

8.3 Delay or Failure to Obtain Regulatory Approval.

(a) If Buyer has not notified Seller that it has received the Regulatory Approval by the date that is 105 days after the Agreement Date, then the Critical Milestone date set forth in Section 3.1(a) shall be extended by the number of days by which the date on which Buyer notifies Seller that it has received the Regulatory Approval exceeds 105 days, on a day-for-day basis, provided that the extension of the Critical Milestone date under this Section 8.3(a) shall not in any event be longer than 75 days.

(b) If Buyer has not notified Seller that it has received the Regulatory Approval by the date that is 180 days after the Agreement Date, then Seller may terminate this Agreement effective upon written notice of such termination to the Buyer and with no further liability for either Party hereunder except for any obligations arising under Section 6.3 and Article 12 which accrued prior to such termination, and in the event of such termination, Buyer shall return to Seller its Posted Collateral.

(c) If Buyer (i) on any date notifies Seller that it has received an order of the PUC regarding this Agreement that is not acceptable in form and substance to Buyer in its sole discretion or (ii) has not notified Seller that it has received the Regulatory Approval by eighteen (18) months after the Agreement Date, then either Party may terminate this Agreement effective upon written notice of such termination to the other Party and with no further liability for either Party hereunder except for any obligations arising under Section 6.3 and Article 12 which accrued prior to such termination, and in the event of such termination, Buyer shall return to Seller its Posted Collateral.

**9. BREACHES; REMEDIES**

9.1 Events of Default by Either Party. It shall constitute an event of default ("**Event of Default**") by either Party hereunder if:

(a) Representation or Warranty. Any material breach of any representation or warranty of such Party set forth herein, or in filings or reports made pursuant to this Agreement, and such breach continues for more than thirty (30) days after the Non-Defaulting Party has provided written notice to the Defaulting Party that any material representation or warranty set forth herein is false, misleading or erroneous in any material respect without the breach having been cured; or

(b) Payment Obligations. Any undisputed payment due and payable hereunder is not made on the date due, and such failure continues for more than ten (10) Business Days after notice thereof is given by the Non-Defaulting Party to the Defaulting Party; or

(c) Other Covenants. Other than a Delivery Shortfall (the sole remedy for which shall be the payment of Cover Damages under Section 4.3), a Rejected Purchase (the sole remedy for which shall be the payment of Resale Damages under 4.4), a failure by Seller to perform its obligations under Section 4.8 (which is addressed in Section 4.8(f)), or an Event of Default described in Section 9.1(a), 9.1(b), 9.1(d), 9.1(e) or 9.2, such Party fails to perform, observe or otherwise to comply with any obligation hereunder and such failure continues for more than thirty (30) days after notice thereof is given by the Non-Defaulting Party to the Defaulting Party; provided, however, that such period shall be extended for an additional reasonable period if the Defaulting Party is unable to cure within that thirty (30) day period and provided that corrective action has been taken by the Defaulting Party within such thirty (30) day period and so long as such cure is diligently pursued by the Defaulting Party until such Default had been corrected, but in any event within one hundred fifty (150) days; or

(d) Bankruptcy. Such Party (i) is adjudged bankrupt or files a petition in voluntary bankruptcy under any provision of any bankruptcy law or consents to the filing of any bankruptcy or reorganization petition against such Party under any such law, or (without limiting the generality of the foregoing) files a petition to reorganize pursuant to 11 U.S.C. § 101 or any similar statute applicable to such Party, as now or hereinafter in effect, (ii) makes an assignment for the benefit of creditors, or admits in writing an inability to pay its debts generally as they become due, or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of such Party, or (iii) is subject to an order of a court of competent jurisdiction appointing a receiver or liquidator or custodian or trustee of such Party or of a major part of such Party's property, which is not dismissed within sixty (60) days; or

(e) Permit Compliance. Such Party fails to obtain and maintain in full force and effect any Permit (other than the Regulatory Approval and, prior to the Commercial Operation Date, the Permits listed in Exhibit B) necessary for such Party to perform its obligations under this Agreement.

9.2 Events of Default by Seller. In addition to the Events of Default described in Section 9.1, it shall constitute an Event of Default by Seller hereunder if:

(a) Taking of Facility Assets. Any asset of Seller that is material to the performance by Seller of its obligations hereunder is taken upon execution or by other process of law directed against Seller other than by condemnation or eminent domain, or any such asset is taken upon or subject to any attachment by any creditor of or claimant against Seller and such attachment is not disposed of within sixty (60) days after such attachment is levied; or

(b) Failure to Maintain Credit Support. The failure of Seller to provide, maintain and/or replenish the Development Period Security or the Operating Period Security as

required pursuant to Article 6 of this Agreement, and such failure continues for more than five (5) Business Days after Buyer has provided written notice thereof to Seller; or

(c) Failure to Satisfy ISO-NE Obligations. The failure of Seller to satisfy, or cause to be satisfied (other than by Buyer), any material obligation under the ISO-NE Rules or ISO-NE Practices or any other material obligation with respect to ISO-NE after giving effect to any applicable cure period under the ISO-NE Rules or ISO-NE Practices, except in the event that such failure is also a failure of Seller to perform its obligations under Section 4.8 (which is addressed in Section 4.8(f)); or

(d) Failure to Meet Critical Milestones. The failure of Seller to satisfy any Critical Milestone by the date set forth therefor in Section 3.1(a), as the same may be extended in accordance with Section 3.1(c), Section 8.3(a) or Section 10.1.

### 9.3 Remedies.

(a) Suspension of Performance and Remedies at Law. Upon the occurrence and during the continuance of an Event of Default, the Non-Defaulting Party shall have the right, but not the obligation, to (i) withhold any payments due the Defaulting Party under this Agreement, (ii) suspend its performance hereunder, and (iii) exercise such other remedies as provided for in this Agreement or, to the extent not inconsistent with the terms of this Agreement, at law, including, without limitation, the termination right set forth in Section 9.3(b). In addition to the foregoing, the Non-Defaulting Party shall retain its right of specific performance to enforce the Defaulting Party's obligations under this Agreement.

(b) Termination and Termination Payment. Upon the occurrence of an Event of Default, a Non-Defaulting Party may terminate this Agreement at its sole discretion by providing written notice of such termination to the Defaulting Party. If the Non-Defaulting Party terminates this Agreement, it shall be entitled to calculate and receive as its sole remedy for such Event of Default a "**Termination Payment**" as follows:

(i) *Termination by Buyer*. If Buyer terminates this Agreement because of an Event of Default by Seller, the Termination Payment due to Buyer shall be equal to the amount, if positive, calculated according to the following formula:

$$\sum_N (RV - CV) + P$$

where:

" $\sum_N$ " is the summation over the remainder of the Services Term.

"RV" is the replacement value of the Products for the remainder of the Services Term, calculated with reference to the applicable Replacement Price and the Supply Forecast, using a discount factor of eight percent (8.0%).

“CV” is the contract value of the Products for the remainder of the Services Term calculated with reference to the applicable Price and the Supply Forecast, using a discount factor of eight percent (8.0%) (the “**Contract Value**”).

“P” is the amount of any applicable penalties and costs incurred by Buyer in replacing the Products not Delivered to Buyer as a result of the termination of this Agreement.

All such amounts shall be determined by Buyer in good faith and in a commercially reasonable manner, and Buyer shall provide Seller with a reasonably detailed calculation of the Termination Payment due under this Section 9.3(b)(i).

(ii) *Termination by Seller Prior to Financial Closing Date.* If Seller terminates this Agreement because of an Event of Default by Buyer prior to the Financial Closing Date, the Termination Payment due to Seller shall be equal to all of Seller’s out-of-pocket expenses incurred in connection with the development and construction of the Facility prior to such termination.

(iii) *Termination by Seller On or After Financial Closing Date.* If Seller terminates this Agreement because of an Event of Default by Buyer on or after the Financial Closing Date, the Termination Payment due to Seller shall be equal to the amount, if positive, calculated according to the following formula:

$$\sum_N (CV - MV) + P$$

where:

“ $\sum_N$ ” is the summation over the remainder of the Services Term.

“CV” is the Contract Value.

“MV” is the market value of the Products for the remaining Services Term as determined with reference to the applicable Resale Price and the Supply Forecast, using a discount factor of eight percent (8.0%).

“P” is the amount of any applicable penalties and costs incurred by Seller in selling the Products not accepted and paid for by Buyer as a result of the termination of this Agreement.

All such amounts shall be determined by Seller in good faith and in a commercially reasonable manner, and Seller shall provide Buyer with a reasonably detailed calculation of the Termination Payment due under this Section 9.3(b)(iii).

(iv) *Supply Forecast.* For purposes of determining the Termination Payment pursuant to Section 9.3(b)(i) and 9.3(b)(iii) above, the quantity of

Products to be delivered shall be based upon the then-current Projected Annual Energy Output (the "Supply Forecast").

(v) *Acceptability of Liquidated Damages.* Each Party agrees and acknowledges that (i) the damages that the Parties would incur due to an Event of Default would be difficult or impossible to predict with certainty, and (ii) it is impractical and difficult to assess actual damages in the circumstances stated, and therefore the Termination Payment as agreed to by the Parties and set forth herein is a fair and reasonable calculation of such damages.

(vi) *Payment of Termination Payment.* The Defaulting Party shall make the Termination Payment within ten (10) Business Days after the notice thereof is effective. If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within ten (10) Business Days of receipt of the calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute; provided, however, the Defaulting Party shall first transfer Credit Support to the Non-Defaulting Party in an amount equal to the Termination Payment as calculated by the Non-Defaulting Party, which Credit Support shall be administered in accordance with Article 6. If the Parties are unable to resolve the dispute within thirty (30) days, Article 11 shall apply.

(vii) *Reinstatement of Agreement.* In the event that Buyer terminates this Agreement prior to the Commercial Operation Date and Seller thereafter achieves the Commercial Operation Date within one (1) year after such termination, Buyer may elect to reinstate this Agreement in accordance with its terms by providing Seller with at least six (6) months' prior written notice of such reinstatement. Upon such reinstatement, Buyer shall return to Seller any Termination Payment made by Seller, together with interest accruing at the Late Payment Rate, on or prior to the date selected for reinstatement of this Agreement.

(c) Set-off. The Non-Defaulting Party shall be entitled, at its option and in its discretion, to withhold and set off any amounts owed by the Non-Defaulting Party to the Defaulting Party against any payments and any other amounts owed by the Defaulting Party to the Non-Defaulting Party, including any Termination Payment payable as a result of any early termination of this Agreement.

(d) Notice to Lenders; Cure Rights. Buyer shall provide a copy of any notice given to Seller under this Article 9 to one representative of the Financing providing loans to or for the benefit of Seller and one representative of the Financing providing equity to or for the benefit of Seller, of which Buyer shall have written notice, and Buyer shall afford one Lender the same opportunities to cure Defaults under this Agreement as are provided to Seller hereunder.

(e) Limitation of Remedies, Liability and Damages. EXCEPT AS EXPRESSLY SET FORTH HEREIN, THERE IS NO WARRANTY OF

MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

## 10. FORCE MAJEURE

### 10.1 Force Majeure.

(a) The term "**Force Majeure**" means an unusual, unexpected and significant event: (i) that was not within the control of the Party claiming its occurrence; (ii) that could not have been prevented or avoided by such Party through the exercise of reasonable diligence; and (iii) that directly prohibits or prevents such Party from performing its obligations under this Agreement. Under no circumstances shall Force Majeure include (w) any occurrence or event that merely increases the costs or causes an economic hardship to a Party, (x) any occurrence or event that was caused by or contributed to by the Party claiming the Force Majeure, (y) Seller's ability to sell the Products at a price greater than that set out in this Agreement, or (z) Buyer's ability to procure the Products at a price lower than that set out in this Agreement. In addition, a delay or inability to perform attributable to a Party's lack of preparation, a Party's failure to timely obtain and maintain all necessary Permits (excepting the Regulatory Approval), a failure to satisfy contractual conditions or commitments, or lack of or deficiency in funding or other resources shall each not constitute a Force Majeure.

(b) If either Party is unable, wholly or in part, by Force Majeure to perform obligations under this Agreement, such performance shall be excused and suspended so long as the circumstances that give rise to such inability exist, but for no longer period. The Party whose performance is affected shall give prompt notice thereof; such notice may be given

orally or in writing but, if given orally, it shall be promptly confirmed in writing, providing details regarding the nature, extent and expected duration of the Force Majeure, its anticipated effect on the ability of such Party to perform obligations under this Agreement, and the estimated duration of any interruption in service or other adverse effects resulting from such Force Majeure, and shall be updated or supplemented to keep the other Party advised of the effect and remedial measures being undertaken to overcome the Force Majeure. Such inability shall be promptly corrected to the extent it may be corrected through the exercise of due diligence. The Party whose performance is affected shall also give prompt notice of the termination of the Force Majeure and shall resume performance of its obligations under this Agreement upon such termination. Neither party shall be liable for any losses or damages arising out of a suspension of performance that occurs because of Force Majeure.

(c) Notwithstanding the foregoing, if the Force Majeure prevents full or partial performance under this Agreement for a period of twelve (12) months or more, the Party whose performance is not prevented by Force Majeure shall have the right to terminate this Agreement upon written notice to the other Party and without further recourse.

(d) Neither Party may raise a claim of Force Majeure based in whole or in part on curtailment by a Transmission Provider unless (i) such Party has contracted for firm transmission with a Transmission Provider for the Energy to be delivered to or received at the Delivery Point and (ii) such curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the Transmission Provider's tariff; provided, however, that existence of the foregoing factors shall not be sufficient to conclusively or presumptively prove the existence of a Force Majeure absent a showing of other facts and circumstances which in the aggregate with such factors establish that a Force Majeure as defined in Section 10.1(a) has occurred.

## 11. DISPUTE RESOLUTION

In the event of any dispute, controversy or claim between the Parties arising out of or relating to this Agreement (collectively, a "**Dispute**"), the Parties shall attempt in the first instance to resolve such Dispute through consultations between the Parties. If such consultations do not result in a resolution of the Dispute within fifteen (15) days after notice of the Dispute has been delivered to either Party, then such Dispute shall be referred to the senior management of the Parties for resolution. If the Dispute has not been resolved within fifteen (15) days after such referral to the senior management of the Parties, then the Parties may seek to resolve such Dispute in the courts of the State of Rhode Island. The Parties agree to the exclusive jurisdiction of the state and federal courts located in the State of Rhode Island for any legal proceedings that may be brought by a Party arising out of or in connection with this Agreement. EACH PARTY HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE.

## 12. CONFIDENTIALITY

Buyer and Seller each agrees not to disclose to any Person and to keep confidential, and to cause and instruct its Affiliates, officers, directors, employees, partners and representatives not to disclose to any Person and to keep confidential, any non-public information relating to the

terms and provisions of this Agreement, any financial statements delivered pursuant to Section 16.2, any information relating to the Products to be supplied by Seller hereunder, and such other non-public information that is designated as "Confidential." Notwithstanding the foregoing, any such information may be disclosed:

(a) to the extent Buyer determines it is appropriate in connection with efforts to obtain or maintain the Regulatory Approval or to seek rate recovery for amounts expended by Buyer under this Agreement;

(b) as required by applicable laws, regulations, rules or orders or by any subpoena or similar legal process of any Governmental Entity so long as the receiving Party gives the non-disclosing Party written notice at least three (3) Business Days prior to such disclosure, if practicable;

(c) to the Affiliates of either Party and to the consultants, attorneys, auditors, financial advisors, lenders or potential lenders, investors or potential investors and their advisors of either Party or their Affiliates, but solely to the extent they have a need to know that information;

(d) in order to comply with any rule or regulation of ISO-NE, any stock exchange or similar Person or for financial disclosure purposes;

(e) to the extent the non-disclosing Party shall have consented in writing prior to any such disclosure; and

(f) to the extent that the information was previously made publicly available other than as a result of a breach of this Article 12;

provided, however, in each case, that the Party seeking such disclosure shall, to the extent practicable, use commercially reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce or seek relief in connection with this Article 12.

### **13. INDEMNIFICATION**

Except as set forth in Sections 3.4(k) and 3.5(b) and in Exhibit D, neither Party shall indemnify, defend or hold harmless the other Party or its partners, shareholders, directors, officers, employees or agents from and against any liabilities, damages, losses, penalties, claims, demands, suits or proceedings claimed by, due to or instituted by any third party as a result of either Party's execution, delivery or performance of this Agreement.

### **14. ASSIGNMENT AND CHANGE OF CONTROL**

14.1 Prohibition on Assignments. Except as permitted under this Article 14, this Agreement may not be assigned by either Party without the prior written consent of the other Party, which consent may not be unreasonably withheld, conditioned or delayed. The Party requesting the other Party's consent to an assignment of this Agreement will reimburse such

other Party for all costs and expenses such other Party incurs in connection with that consent, without regard to whether such consent is provided. When assignable, this Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the successors and assignees of the Parties, except that no assignment, pledge or other transfer of this Agreement by either Party shall operate to release the assignor, pledgor, or transferor from any of its obligations under this Agreement unless the other Party (or its successors or assigns) consents in writing to the assignment, pledge or other transfer and expressly releases the assignor, pledgor, or transferor from its obligations thereunder.

14.2 Assignor Remains Liable. Unless specifically agreed in writing, any assignment by a Party as contemplated by this Section 14 shall not be construed to relieve the assignor of any of its obligations under this Agreement, nor shall any such assignment be deemed to modify or otherwise affect any of the rights of the non-assigning Party hereunder.

14.3 Change in Control over Seller. Buyer's consent shall be required for any direct or indirect transfer of more than fifty percent (50%) of the voting or economic interests in Seller or for any change in the Person exercising day-to-day management of Seller, which consent shall not be unreasonably withheld, conditioned or delayed and shall be provided if Buyer reasonably determines that such transfer or change does not have a material adverse effect on Seller's creditworthiness or Seller's ability to perform its obligations under this Agreement.

14.4 Permitted Assignment by Buyer. Buyer shall have the right to assign this Agreement without consent of Seller (a) in connection with (i) any merger or consolidation of Buyer with or into another Person; (ii) any exchange of all of the common stock or other equity interests of Buyer or Buyer's parent for cash, securities or other property; or (iii) any acquisition, reorganization, or other similar corporate transaction involving all or substantially all of the common stock or other equity interests in, or assets of, Buyer; provided that (A) the proposed assignee agrees in writing to assume all of Buyer's obligations under this Agreement and (B) the proposed assignee delivers to Seller a legal opinion as to due power and authority, due authorization, enforceability and regulatory approvals, or (b) to a Person whose credit rating as established by S&P or Moody's is equal or better than BBB- from S&P or Baa3 from Moody's after giving effect to the proposed assignment of this Agreement; provided that (i) the proposed assignee agrees in writing to assume all of Buyer's obligations under this Agreement and (ii) the proposed assignee delivers to Seller a legal opinion as to due power and authority, due authorization, enforceability and regulatory approvals.

14.5 Permitted Assignment by Seller. Seller may pledge, encumber or assign the Facility, this Agreement or the accounts, revenues or proceeds under the Agreement to any Lender as security for the financing of the Facility. Buyer shall execute a consent to assignment that is in form and substance reasonably satisfactory to Seller and such Lender that incorporates terms and conditions customary for a transaction of this type (including the provisions included in Section 9.3(d)); provided, however, that Buyer shall not be obligated to enter into any consent which shall affect Buyer's rights under this Agreement. Buyer shall not unreasonably withhold, condition or delay providing its consent to an assignment to a Lender. Seller may assign this Agreement to an Affiliate of Seller, upon Buyer's consent, which shall not be unreasonably withheld or delayed; upon such consent Seller shall be novated from this

Agreement and such Affiliate shall assume all obligations under the remaining Term of this Agreement; provided that Seller may assign this Agreement to a wholly-owned Affiliate of Seller in connection with the consummation of a lease of the Facility to such Affiliate without Buyer's consent, so long as (i) Seller also assigns the Interconnection Agreement to such Affiliate and (ii) Seller remains liable for all obligations under this Agreement notwithstanding such assignment.

14.6 Prohibited Assignments. Any purported assignment of this Agreement not in compliance with the provisions of this Article 14 shall be null and void.

## 15. TITLE; RISK OF LOSS

Title to and risk of loss related to the Energy shall transfer from Seller to Buyer at the Delivery Point. Title and risk of loss related to the RECs shall transfer to Buyer when the same are credited to Buyer's GIS account(s) or the GIS account(s) designated by Buyer to Seller in writing. Seller shall retain risk of loss with respect to the Capacity, consistent with Section 4.8. Seller warrants that it shall deliver to Buyer the Products free and clear of all liens, claims, charges or encumbrances therein or thereto by any Person.

## 16. AUDIT

16.1 Audit. Each Party shall have the right, upon reasonable advance notice, and at its sole expense (unless the other Party has defaulted under this Agreement, in which case the Defaulting Party shall bear the expense) and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Agreement. If requested, a Party shall provide to the other Party statements evidencing the quantities of Products delivered or provided hereunder. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof shall be made promptly and shall bear interest at the Late Payment Rate from the date the overpayment or underpayment was made until paid.

16.2 Consolidation of Financial Information. The Parties agree that accounting principles generally accepted in the United States and International Financial Accounting Standards may require Buyer to evaluate whether Buyer must consolidate Seller's financial information on Buyer's financial statements. Buyer shall require access to financial records and personnel to determine if consolidated financial reporting is required. If Buyer reasonably determines at any time that such consolidation is required, Buyer shall require the following from Seller within twenty-five (25) days after the end of every calendar quarter for the Term of this Agreement:

- (a) complete financial statements and notes to financial statements for such quarter;
- (b) financial schedules underlying such financial statements; and

(c) access to records and personnel to enable Buyer's independent auditor to conduct financial audits (in accordance with generally accepted auditing standards) and internal control audits (in accordance with Section 404 of the Sarbanes-Oxley Act of 2002). Any information provided to Buyer under this Section 16.2 shall be treated as confidential except that such information may be disclosed for financial statement purposes.

## 17. NOTICES

Any notice or communication given pursuant hereto shall be in writing and (1) delivered personally (personally delivered notices shall be deemed given upon written acknowledgment of receipt after delivery to the address specified or upon refusal of receipt); (2) mailed by registered or certified mail, postage prepaid (mailed notices shall be deemed given on the actual date of delivery, as set forth in the return receipt, or upon refusal of receipt); or (3) delivered by fax or electronic mail (notices sent by fax or electronic mail shall be deemed given upon confirmation of delivery); in each case addressed as follows or to such other addresses as may hereafter be designated by either Party to the other in writing:

If to Buyer: Corinne Abrams  
Manager, Environmental Transactions  
Energy Procurement  
National Grid  
100 E. Old Country Road  
Hicksville, NY 11801-4218  
Fax: (516) 545-3130  
Email: corinne.abrams@us.ngrid.com

With a copy to: Brooke K. Skulley, Esq.  
Senior Counsel  
National Grid  
40 Sylvan Road  
Waltham, MA 02451-1120  
Fax: (781) 907-5701  
Email: brooke.skulley@us.ngrid.com

If to Seller: Jonathan W. Chadbourne  
Vice President, Risk Management  
Black Bear Development Holdings, LLC  
c/o ArcLight Capital Partners, LLC  
200 Clarendon Street, 55<sup>th</sup> Floor  
Boston, MA 02117  
Phone: (617) 531-6397  
Fax: (617) 567-4698

With a copy to: Christine Miller  
Associate General Counsel  
Black Bear Development Holdings, LLC  
c/o ArcLight Capital Partners, LLC  
200 Clarendon Street, 55<sup>th</sup> Floor  
Boston, MA 02117  
Phone: (617) 531-6338  
Fax: (617) 867-4698

## 18. WAIVER AND MODIFICATION

This Agreement may be amended and its provisions and the effects thereof waived only by a writing executed by the Parties, and no subsequent conduct of any Party or course of dealings between the Parties shall effect or be deemed to effect any such amendment or waiver. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. The failure of either Party to enforce any provision of this Agreement shall not be construed as a waiver of or acquiescence in or to such provision. Buyer shall determine in its sole discretion whether any amendment or waiver of the provisions of this Agreement shall require approval of or filing with the PUC or another Governmental Entity, and if Buyer determines that such approval or filing is required for any amendment or waiver of the provisions of this Agreement, then such amendment or waiver shall not become effective unless and until such approval is obtained or such filing is made.

## 19. INTERPRETATION

19.1 Choice of Law. Interpretation and performance of this Agreement 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).

19.2 Headings. Article and Section headings are for convenience only and shall not affect the interpretation of this Agreement. References to articles, sections and exhibits are, unless the context otherwise requires, references to articles, sections and exhibits of this Agreement. The words "hereof" and "hereunder" shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

19.3 Forward Contract; Commodities Exchange Act. The Parties acknowledge and agree that this Agreement and the transactions contemplated hereunder are a "forward contract" within the meaning of the United States Bankruptcy Code. Each Party represents and warrants, solely as to itself, that it is (i) a "forward merchant" within the meaning of the United States Bankruptcy Code and (ii) an "eligible commercial entity" and an "eligible contract participant" within the meaning of the United States Commodities Exchange Act.

19.4 Standard of Review. The Parties acknowledge and agree that the standard of review for any avoidance, breach, rejection, termination or other cessation of performance or changes to any portion of this integrated, non-severable Agreement (as described in Section 22)

over which FERC has jurisdiction, whether proposed by Seller, by Buyer, by a non-party of, by FERC acting *sua sponte* shall be the “public interest” standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Serv. Co., 350 U.S. 332 (1956) and Federal Power Comm’n v. Sierra Pac. Power Co., 350 U.S. 348 (1956) and clarified by Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish, 554 U.S. 527, 545 (2008), as may be modified by subsequent cases. Each Party agrees that if it seeks to amend any applicable power sales tariff during the Term, such amendment shall not in any way materially and adversely affect this Agreement without the prior written consent of the other Party. Each Party further agrees that it shall not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement.

19.5 Change in ISO-NE Rules and Practices. This Agreement is subject to the ISO-NE Rules and ISO-NE Practices. If, during the Term of this Agreement, any ISO-NE Rule or ISO-NE Practice is terminated, modified or amended or is otherwise no longer applicable, resulting in a material alteration of a material right or obligation of a Party hereunder, the Parties agree to negotiate in good faith in an attempt to amend or clarify this Agreement to embody the Parties’ original intent regarding their respective rights and obligations under this Agreement, provided that neither Party shall have any obligation to agree to any particular amendment or clarification of this Agreement. The intent of the Parties is that any such amendment or clarification reflect, as closely as possible, the intent, substance and effect of the ISO-NE Rule or ISO-NE Practice being replaced, modified, amended or made inapplicable as such ISO-NE Rule or ISO-NE Practice was in effect prior to such termination, modification, amendment, or inapplicability, provided that such amendment or clarification shall not in any event alter (i) the purchase and sale obligations of the Parties pursuant to this Agreement, or (ii) the Bundled Price. Notwithstanding the foregoing, in the event of a change in the ISO-NE Rules or ISO-NE Practices described in Section 4.1(d), the provisions of Section 4.1(d), and not of this Section 19.5, shall apply to such change.

19.6 Joint Preparation. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof.

## 20. COUNTERPARTS; FACSIMILE SIGNATURES

Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original. Facsimile signatures hereon or on any notice or other instrument delivered under this Agreement shall have the same force and effect as original signatures.

## 21. NO DUTY TO THIRD PARTIES

Except as provided in any consent to assignment of this Agreement, nothing in this Agreement nor any action taken hereunder shall be construed to create any duty, liability or standard of care to any Person not a Party to this Agreement.

**22. SEVERABILITY**

..... If any term or provision of this Agreement or the interpretation or application of any term or provision to any prior circumstance is held to be unenforceable, illegal or invalid by a court or agency of competent jurisdiction, the remainder of this Agreement and the interpretation or application of all other terms or provisions to Persons or circumstances other than those which are unenforceable, illegal or invalid shall not be affected thereby, and each term and provision shall be valid and be enforced to the fullest extent permitted by law.

**23. INDEPENDENT CONTRACTOR**

Nothing in this Agreement shall be construed as creating any relationship between Buyer and Seller other than that of Seller as independent contractor for the sale of Products, and Buyer as principal and purchaser of the same. Neither Party shall be deemed to be the agent of the other Party for any purpose by reason of this Agreement, and no partnership or joint venture or fiduciary relationship between the Parties is intended to be created hereby.

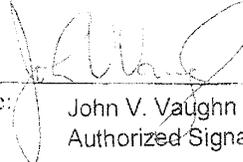
**24. ENTIRE AGREEMENT**

This Agreement shall constitute the entire agreement and understanding between the Parties hereto and shall supersede all prior agreements and communications.

*[Signature page follows]*

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

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

By:  \_\_\_\_\_ PNB [initials]  
Name: John V. Vaughn  
Title: Authorized Signatory

**BLACK BEAR DEVELOPMENT HOLDINGS, LLC**

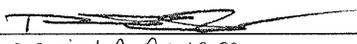
By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, each of Buyer and Seller has caused this Agreement 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

## EXHIBIT A

### DESCRIPTION OF FACILITY

**Facility:** Orono B Hydroelectric Project

**Technology:** Hydroelectric, Run of River

**Site Location:** 19 Broadway, Orono, Maine

**Expected Project Capacity:** ISO-NE Claimed Capability of 3.428 MW (Summer); 3.623 MW (Winter)

**Nameplate Capacity:** 3.75 MW at 0.90 PF (three units rated at 1.25 MW each )

**Expected Maximum Output:** 4.167 MWh per hour

**Interconnection Point:** BHE Orono Substation

For all purposes of this Agreement, "Facility" shall exclude the existing 2.78 mega-watt (nameplate) electric generation facility referred to as the Orono hydroelectric generating facility or Orono "A" hydroelectric generating facility located at 19 Broadway, Orono, Maine.

**EXHIBIT B**

**SELLER'S PERMITS**

Part 1 – Permits

a. Construction Permits

<b>Federal Permits</b>	<b>Regulatory Authority(ies)</b>
Qualifying Facility Registration	Federal Energy Regulatory Commission
Hydroelectric License Amendment – pending	Federal Energy Regulatory Commission
<b>State Permits</b>	<b>Regulatory Authority(ies)</b>
Water Quality Certification – amendment received 8-18-11	Maine Department of Environmental Protection
<b>Local/County Permits</b>	<b>Regulatory Authority(ies)</b>
Not applicable	

b. Operating Permits

<b>Federal Permits</b>	<b>Regulatory Authority(ies)</b>
Qualifying Facility Registration	Federal Energy Regulatory Commission
Hydroelectric License Amendment – pending	Federal Energy Regulatory Commission
<b>State Permits</b>	<b>Regulatory Authority(ies)</b>
Water Quality Certification – amendment received 8-18-11	Maine Department of Environmental Protection
<b>Local/County Permits</b>	<b>Regulatory Authority(ies)</b>
Not applicable	

**EXHIBIT C**

**FORM OF PROGRESS REPORT**

For the Quarter Ending: \_\_\_\_\_

Status of construction and significant construction milestones achieved during the quarter:

Status of permitting and significant Permits obtained during the quarter:

Status of Financing for Facility:

Events during quarter expected to result in delays in Commercial Operation Date:

Critical Milestones not yet achieved and projected date for achievement:

Current projection for Commercial Operation Date:

## EXHIBIT D

### INSURANCE

1. Prior to the commencement of construction of the Facility, through final expiration of the Term or longer where specified below, Seller shall provide and maintain, at its own expense, insurance policies, intended to be primary (with no right of contribution by any other coverage available to National Grid USA its direct and indirect parents, subsidiaries and affiliates (the "Insured Entities")), covering all Operations, Work and Services to be performed by Seller under or in connection with this Agreement, issued by reputable insurance companies with an A.M. Best Rating of at least B+, which meet or exceed the requirements listed herein:

(a) **Workers' Compensation and Employers Liability Insurance** as required by the State in which the Work activities under this Agreement will be performed. If applicable, coverage shall include the U.S. Longshoreman's and Harbor Workers Compensation Act, and the Jones Act. The employer's liability limit shall be \$500,000 each per accident, per person disease, and disease by policy limit.

(b) **Commercial General Liability (CGL) Insurance**, covering all operations to be performed by or on behalf of Seller under or in connection with this Agreement, with minimum combined single limits for bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate.

- Coverage shall include: contractual liability (with this Agreement, and any associated written agreements, being included under the definition of "Insured Contract" thereunder), products/completed operations, and if applicable, explosion, collapse and underground (XC&U).
- If the products-completed operations coverage is written on a claims-made basis, the retroactive date shall not precede the effective date of this Agreement and coverage shall be maintained continuously for the duration of this Agreement and for at least two years thereafter.
- Additional Insured as required in Section 3 below,
- The policy shall contain a separation of insureds condition.
- In the event Seller is a governmental entity such as a town, county, municipality etc., and such entity's liability to a third party is limited by law, regulation, code, ordinance, by-laws or statute (collectively the "Law"), this liability insurance shall contain an endorsement that waives such Law for insurance purposes only and strictly prohibits the insurance company from using such Law as a defense in either the adjustment of any claim, or in the defense of any suit directly asserted by an Insured Entity.

(c) **Automobile Liability**, covering all owned, non-owned and hired vehicles used in connection with all operations, work or services to be performed by or on behalf of Seller under or in connection with this Agreement with a minimum combined single limit of liability for bodily injury and property damage of \$1,000,000 per accident. Additional Insured as required in Section 3 below.

(d) **Umbrella Liability or Excess Liability coverage**, with a minimum per occurrence limit of \$4,000,000. This coverage shall run concurrent to the CGL required in Section 1(b) above, shall apply excess of the required automobile, CGL and employer's liability coverage required in this Insurance Exhibit, and shall provide additional insured status as outlined in Section 3 below.

(e) **Watercraft Liability**, if used in connection with this Agreement, with the same minimum limits of liability as outlined in requirement 1(b) above, and naming the Insured Entities, including their officers and employees, as additional insured as outlined in Section 3.

(f) **Pollution Liability (PL)**: covering any sudden and accidental pollution liability which may arise out of, under, or in connection with the performance of this Agreement, by or on behalf of Seller, or that arise out of Seller's use of any owned, non-owned or hired vehicles, with a combined single limit of liability for bodily injury and property damage of \$1,000,000 per occurrence and in the aggregate.

This requirement may be satisfied by providing either this PL policy, which would provide additional insured status as outlined in Section 3 below; **OR** by providing coverage for sudden and accidental pollution liability under the CGL and commercial automobile insurance policies required above - limited solely by the Insurance Services Organization (ISO) standard pollution exclusion, or its equivalent.

In the event Seller is unable to secure and/or maintain any or all of this sudden and accidental pollution liability coverage, Seller agrees to indemnify and hold the Insured Entities harmless against any and all liability resulting from any coverage deficiency that is out of compliance with this insurance requirement.

(g) **Risk of Loss**: Seller shall be responsible for all risk of loss to its equipment and materials, and any other equipment and materials owned by its employees or by other third parties that may be in their care, custody and control. If this coverage is excluded from the Commercial General Liability policy, then coverage will be acceptable under Seller's property policy. In the event that any equipment or materials (Goods) are supplied by the Insured Entities, an Insured Entities' representative will provide the insurable value of the Goods to Seller in writing, both cumulatively and on a maximum per item basis. Seller will provide replacement cost insurance for these Goods under a blanket builder's risk policy, an equipment floater, or other equivalent coverage, while such Goods are under the care, custody and control of Seller. Such insurance shall cover all Goods outlined in the Agreement or as noted on subsequent contract amendments. The coverage limit shall apply on either a per location basis or a maximum per item basis, and shall name the Insured Entities as Additional Insureds with respect to their insurable interest as required in Section 3 below.

(h) **Limits**: Any combination of Commercial General Liability, Automobile Liability and Umbrella Liability policy limits can be used to satisfy the limit requirements in items 1 b, c & d above.

**2. Self-Insurance**: Proof of qualification as a qualified self-insurer, if approved in advance in writing by an Insured Entities representative, will be acceptable in lieu of securing and maintaining one or more of the coverages required in this Exhibit D. Such acceptance shall become a part of this Exhibit D by reference herein.

For Workers' Compensation, such evidence shall consist of a copy of a current self-insured certificate for the State in which the work will be performed.

In order for self insurance to be accepted, Seller's unsecured debt must have a financial rating of at least investment grade. For purposes of this Exhibit D, "Investment Grade" means (i) if Seller has a credit rating from both S&P and Moody's then, a credit rating from S&P equal to or better than "BBB-" and a credit rating from Moody's equal to or better than "Baa3"; (ii) if Seller has a credit rating from only one of S&P and Moody's, then a Credit Rating from S&P equal to or better than "BBB-" or a credit rating from Moody's equal to or better than "Baa3; or (iii) if the Parties have mutually agreed in writing on an additional or alternative rating agency, then the equivalent credit rating assigned to an entity by such additional or alternative rating agency that is equal to or better than "BBB-" from S&P and/or "Baa3" from Moody's.

**3. Additional Insured:** The intent of the Additional Insured requirement under the CGL, Auto, PL, Umbrella/Excess and Watercraft policies is to include the Insured Entities, their directors, officers and employees, as Additional Insured's for liabilities associated with, or arising out of, all operations, work or services to be performed by or on behalf of Seller, including ongoing and completed operations, under this Agreement. The following language should be used when referencing the additional insured status: **National Grid USA, its subsidiaries and affiliates.**

To the extent Seller's insurance coverage does not provide the full Additional Insured coverage as required herein, Seller agrees to indemnify and hold harmless the Insured Entities against any and all liability resulting from any deficiency in Seller's insurance coverage that may be out of compliance with this insurance requirement.

**4. Waiver of Recovery:** Seller and its insurance carrier(s) shall waive all rights of recovery against the Insured Entities and their directors, officers and employees, for any loss or damage covered under those policies referenced in this insurance provision, or for any required coverage that may be self-insured by Seller. To the extent Seller's insurance carriers will not waive their right of subrogation against the Insured Entities, Seller agrees to indemnify the Insured Entities for any subrogation activities pursued against them by Seller's insurance carriers. However, this waiver shall not extend to the gross negligence or willful misconduct of the Insured Entities or their employees, sub-contractors or agents.

**5. Contractors:** In the event Seller uses Contractors in connection with this Agreement, it is expressly agreed that Seller shall have the sole responsibility to make certain that all Contractors are in compliance with these insurance requirements and remains in compliance throughout the course of this Agreement, and thereafter as required. Seller shall remain liable for the performance of the Contractor, and such sub-contract relationship shall not relieve Seller of its obligations under this agreement.

Unless agreed to in writing the by the Risk Management Department of National Grid USA Service Company, any deductible or self insured retentions maintained by any Contractor, which shall be for the account of the Contractor, and shall not exceed \$1,000,000. If requested by National Grid, Seller shall provide National Grid with an insurance certificate from its Contractor evidencing this coverage.

In the event any Contractor is unable to maintain all of the same insurance coverage as required in this Exhibit D, Seller shall notify National Grid and the Parties shall reasonably agree to replacement insurance given the scope and nature of the works of Contractor. Until such insurance is in place, such Contractor shall not perform any work in connection with this Agreement.

**6. Insurance Certification:** Upon execution of this Agreement, Seller shall promptly provide National Grid with (a) Certificate(s) of Insurance for all coverage's required herein at the following

address: National Grid Attn: Risk Management Bldg. A-4 300 Erie Boulevard West Syracuse, NY 13202  
Such certificates, and any renewals or extensions thereof, shall outline the amount of deductibles or self-insured retentions which shall be for the account of Seller. Such deductibles or self-insured retentions shall not exceed \$1,000,000 unless agreed to in writing by the Risk Management Department of National Grid USA Service Company, whose approval shall not be unreasonably withheld, delayed or conditioned.

Seller shall endeavor to provide National Grid with at least 30 days prior written (10 days for non-payment of premium) notice of any cancellation or diminution of the insurance coverage required in this Exhibit D.

**7. Insurance Obligation:** If any insurance coverage is not secured, maintained or is cancelled and Seller fails to timely procure other insurance as specified, National Grid has the right, but not the obligation, to procure such insurance and to invoice Seller for said coverage.

**8. Incident Reports:** Seller shall furnish the Risk Management Department of National Grid USA Service Company with copies of any non-privileged accident or incident report(s)(collectively, the "Documents") sent to Seller's insurance carriers covering accidents, incidents or events occurring as a result of the performance of all operations, work and services performed by or on behalf of Seller under or in connection with this Agreement, excluding any accidents or incidents occurring on Seller property. If any of the National Grid Companies are named in a lawsuit involving the operations and activities of Seller associated with this Agreement, Seller shall promptly provide copies of all insurance policies relevant to this accident or incident if requested by National Grid. However, in the event such Documents are deemed privileged and confidential (Attorney Client Privilege), Seller shall provide the relevant facts of the accident or incident in a format that does not violate such Attorney Client Privilege.

**9. Other Coverage:** These requirements are in addition to any which may be required elsewhere in this Agreement. In addition, Seller shall comply with any governmental site specific insurance requirements even if not stated herein.

**10. Coverage Representation:** Seller represents that it has the required policy limits available, and shall notify National Grid USA Service Company's Risk Management Department in writing when the coverage's required in this Exhibit D have been reduced as a result of claims payments, expenses, or both. However, this obligation does not apply to any claims that would be handled solely with in Seller's deductible or self-insured retention.

**11. Responsibility:** The complete or partial failure of Seller's insurance carrier to fully protect and indemnify the Insured Entities per the terms of the Agreement, including without limitation, this exhibit, or the inadequacy of the insurance shall not in any way lessen or affect the obligations of Seller to the Insured Entities.

**12. Coverage Limitation:** Nothing contained in this Exhibit D is to be construed as limiting the extent of Seller's responsibility for payment of damages resulting from all operations, work and services to be performed by or on behalf of Seller under or in connection with this Agreement, or limiting, diminishing, or waiving Seller's obligation to indemnify, defend, and save harmless the Insured Entities in accordance with this Agreement.

## EXHIBIT E

### PRODUCTS AND PRICING

1. Payment. Buyer shall, in accordance with the terms of the Agreement and this Exhibit E, with respect to any month after the Commercial Operation Date, pay to Seller, in immediately available funds, for each MWh of Products Delivered by Seller during such month, the Bundled Price per MWh set forth on Appendix X hereof with respect to the applicable calendar year in which such month occurs (as adjusted pursuant to the applicable provisions of this Exhibit E).

2. Allocation of MWh Price. The Bundled Price per MWh for each billing period shall be allocated between Energy and RECs as follows:

RECs = The RECs futures settlement price as published by the Chicago Climate Futures Exchange for the applicable billing period (the "CCFE Index Price"). In the event that the CCFE Index Price is no longer published, the Parties shall in good faith undertake commercially reasonable efforts to agree on a substitute index that reflects the market value of the RECs. Should such a substitute index not be available or if the Parties are unable to agree upon such a substitute index, the RECs will be valued at the "Alternative Compliance Payment Rate" for the Renewable Energy Standard published by the PUC for the applicable billing period.

Energy = The \$/MWh price of Energy for the applicable month shall be equal to the Bundled Price per MWh less the RECs allocation determined under this Section 2 for the applicable billing period and the \$/MWh equivalent of the adjustment for Forward Capacity Market payments as set forth in Section 3 for that billing period.

3. Adjustment to Bundled Price for Zonal Price Separation. The Bundled Price per MWh paid for Products delivered in each calendar month shall be reduced by the sum of the Zonal Price Separations for each hour in that calendar month; provided, however, that to the extent that such sum of the Zonal Price Separations in any calendar month is less than \$0, no adjustment will be made to the Bundled Price for Zonal Price Separation for that calendar month.

4. Adjustment to Bundled Price for Forward Capacity Market Payments. The Bundled Price per MWh listed above, as adjusted or escalated pursuant to Section 5.1(b) and this Exhibit E, shall be reduced on a monthly basis by any payments received by or credited to Seller for Contract Capacity attributable to the Facility sold by Seller in the Forward Capacity Market in the applicable month, which reduction shall not be reduced for any penalties incurred by Seller in the Forward Capacity Market (other than Peak Energy Rents). Beginning on June 1 of the fourth (4<sup>th</sup>) Contract Year, if the Facility has not qualified as a Capacity Resource with the

Seasonal Claimed Capability equivalent to the Contract Capacity or received a Capacity Supply Obligation for the relevant Capacity Commitment Period, Buyer shall calculate the reduction due under this Section 4 assuming that the Facility had qualified as a Capacity Resource with the Seasonal Claimed Capability for the Facility equivalent to the Contract Capacity and received a Capacity Supply Obligation, based on information obtained from Seller and publicly available information from ISO-NE, which calculation shall be binding, absent manifest error. Seller shall use commercially reasonable efforts to cooperate with Buyer in calculating this reduction.

#### APPENDIX

Appendix X: Bundled Price per MWh

**Appendix X to Exhibit E**

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**Bundled Price per MWH**

The Bundled Price per MWH shall be equal to \$99 per MWh, commencing on the Commercial Operation Date. Subject to Section 5.1(b), the Bundled Price per MWH shall escalate by a factor of two percent (2%) on each Escalation Date.

**EXHIBIT F**  
**Form of Certification of Extension and New Escalation Date**

Black Bear Development Holdings, LLC ("**Seller**") delivers this certification pursuant to Section 5.1(b) of the Power Purchase Agreement dated as of February 17, 2012 (the "**Agreement**") between Seller and The Narragansett Electric Company, d/b/a National Grid ("**Buyer**"). All capitalized terms not defined herein have the meanings given to them in the Agreement.

Seller certifies as follows:

1. Either (i) the Commercial Operation Date has been extended pursuant to Section 8.3(a) of the Agreement or (ii) Seller has elected to extend the Commercial Operation Date pursuant to Section 3.1(c) or Section 10.1 of the Agreement, and the total period of such extension is [ ] days.

2. As a result of such extension and taking into account all prior extensions of the Commercial Operation Date under the Agreement, the Escalation Date from today until the earlier of the expiration of the Term or another extension pursuant to the Agreement, shall be [ ] of each year.

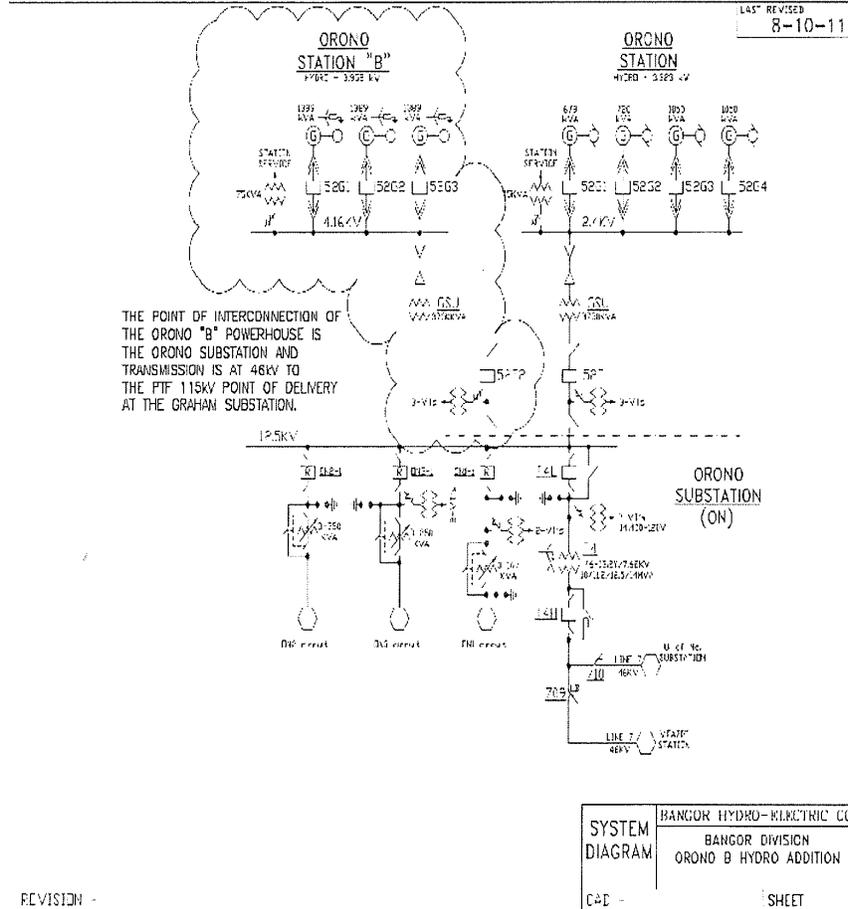
3. The next such Escalation Date shall be [ ].

IN WITNESS WHEREOF, the undersigned has executed and delivered this certification this [ ] day of [ ].

BLACK BEAR DEVELOPMENT HOLDINGS, LLC

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

EXHIBIT G  
 Diagram of Interconnection and Delivery Points



REVISION -

**Contract Cost less Forecast Market Value  
 RI Delivery with RI Pricing; Seller Covers Price Separation (Congestion and Losses)**

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)	RI Energy RECs & Capacity	Zonal Price Separation (Congestion & Losses) (RI - ME) (\$/MWh)	Delivered Energy (MWh)	Bundled Energy Contract Price - RI (\$/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)	Value of Zonal Price Separation	
2010													
2011													
2012													
2013													
2014							31,268	\$ 99.00					
2015							31,268	\$ 100.98					
2016							31,268	\$ 103.00					
2017							31,268	\$ 105.06					
2018							31,268	\$ 107.16					
2019							31,268	\$ 109.30					
2020							31,268	\$ 111.49					
2021							31,268	\$ 113.72					
2022							31,268	\$ 115.99					
2023							31,268	\$ 118.31					
2024							31,268	\$ 120.68					
2025							31,268	\$ 123.09					
2026							31,268	\$ 125.56					
2027							31,268	\$ 128.07					
2028							31,268	\$ 130.63					
2029													
2030													
2031													
2032													
2033													
2034													
2035													
2036													
2037													
							<b>TOTAL</b>	469,020		<b>TOTAL</b>	\$ (12,266,102)	\$ (12,169,767)	\$ 1,848,027
							<b>NPV (7%)</b>	284,786		<b>NPV (7%)</b>	\$ (6,989,363)	\$ (6,931,540)	\$ 1,109,107
										<b>Levelized Market Comparison (\$/MWh)</b>	\$ (24.54)	\$ (24.34)	

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

**Market Cost Comparison**  
Contract Energy Cost less Energy Market Value

RI PPA Pricing; Seller Covers Price Separation (Congestion and Losses)

$$\begin{array}{l} \text{Contract Price}_{RI} - (LMP_{RI} - LMP_{ME}) - LMP_{RI} + (LMP_{RI} - LMP_{ME}) \\ \text{[ Net Contract Price ]} \end{array}$$

$\text{Contract Price}_{RI} - LMP_{RI}$
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Contract value includes price separation coverage:  $(LMP_{RI} - LMP_{ME})$ .



Jennifer Brooks Hutchinson  
Senior Counsel

March 2, 2012

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Summary Report on The Narragansett Electric Company d/b/a National Grid's Second Solicitation for Long-Term Contracts for Renewable Energy Projects Pursuant to Rhode Island General Laws Section 39-26.1 et seq.**

Dear Ms. Massaro:

On behalf of National Grid<sup>1</sup>, enclosed are ten (10) copies of the Company's summary report on the results of the second solicitation conducted by the Company pursuant to R.I.G.L. Section 39-26.1 *et seq.* (the "Long-Term Contracting Standard") and the Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy (collectively, the "Regulations") promulgated by the Rhode Island Public Utilities Commission (the "Commission").

Under the Long-Term Contracting Standard and the Regulations, beginning on or before July 1, 2010, National Grid is required to annually solicit proposals from renewable energy developers and, provided commercially reasonable proposals have been received, enter into long-term contracts with terms of ten to fifteen years for the purchase of capacity, energy and attributes from newly developed renewable energy resources. The timing and method of this annual solicitation process was approved by the Commission with some limited modifications on June 17, 2010 in Docket 4150. On March 1, 2012, the Company filed with the Commission certain proposed revisions to the method of annual solicitation under the Long-Term Contracting Standard in accordance with the Commission's Regulations. The changes are intended to integrate the statutory provisions under the Long-Term Contracting Standard with the recently enacted Net Metering Provision of the Renewable Energy Standard, R.I.G.L. § 39-26.4-1 *et seq.* and the Distributed Generation Standard Contracts Act, R.I.G.L. § 39-26.2-1 *et seq.*

National Grid initiated its second solicitation for long-term contracts for renewable energy on June 30, 2011, with the issuance of the Company's Request for Proposals for Long-Term Contracts for Renewable Energy Projects ("RFP"). With this solicitation, the Company was required to procure a minimum of fifty percent (50%) of the 90 MW minimum long-term contract capacity required under the Long-Term Contracting Standard. The Company had previously executed Power Purchase Agreements ("PPA") with Rhode Island LFG Genco, LLC for the Town of Johnston Project, with Deepwater Wind, Block Island, LLC for the Town of New Shoreham

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("National Grid" of the "Company").

Luly E. Massaro, Commission Clerk  
Long-Term Contracts Second Solicitation  
March 2, 2012  
Page 2 of 2

project, and Orbit Energy, Rhode Island, LLC, for the biogas project selected in the initial solicitation. Together, these three projects brought the total contract capacity to 46% of the 90 MW requirement. In this second solicitation, the Company selected one proposal for a 3.9 MW run-of-river hydroelectric plant located in Orono, Maine. The Company and the project's developer executed a PPA on February 17, 2012, which the Company will be filing with the Commission for its review and approval pursuant to the Long-Term Contracting Standard and the Regulations. This project, which, if approved, will contribute 3.6 MW of contract capacity, represented the best combination of size and scoring in the evaluation of the bids. Together with the four projects selected in the initial Distributed Generation Standard Contracts Enrollment, which contributed an additional 0.8 MW, this project would bring the total contract capacity to 50.9% of the requirement.

The Company is filing the enclosed summary report to provide the Commission with the results of the Company's second solicitation for long-term contracts for newly developed renewable energy projects, as required by the Regulations. Section 4.12 of the Regulations specifically provides that, "[w]ithin thirty (30) days of the execution of final contracts, or upon a determination that no Commercially Reasonable contracts could be entered into, [National Grid] shall file with the Commission a report on each solicitation regarding the results of such solicitation, even if no contracts are executed following the solicitation." The enclosed summary report includes a brief description of the solicitation process, the number and types of proposals received, and the evaluation of those proposals. Appendix A of the report contains a more detailed summary of the bids received, including pricing data, as well as the price and non-price evaluation of those bids.

This filing also contains a Motion for Protective Treatment in accordance with Commission Rule 1.2(g) and R.I.G.L. § 38-2-2(4)(B). The Company seeks protection from public disclosure of Appendix A to the report as it contains confidential information including pricing data. In compliance with Rule 1.2(g), National Grid is providing one (1) complete unredacted copy of the confidential documents in a sealed envelope marked "**Contains Privileged and Confidential Materials – Do Not Release.**" The Company has provided the Commission with the confidential version of those documents.

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

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Leo Wold, Esq.  
Steve Scialabba, Division

Long-Term Contracting Standards for Renewable Energy  
Summary Report on Second Solicitation

The Narragansett Electric Company d/b/a National Grid

March 2, 2012

nationalgrid

**Long-Term Contracting Standards for Renewable Energy**  
**Summary Report on Second Solicitation**  
**March 2, 2012**

Introduction

On June 30, 2011, National Grid<sup>1</sup> issued its second solicitation for proposals from renewable energy developers to enter into long-term contracts for the purchase of capacity, energy and attributes from newly developed renewable energy resources pursuant to the Long-Term Contracting Standard for Renewable Energy, R.I.G.L. 39-26.1 *et seq.* (the “Long-Term Contracting Standard”). Pursuant to Section 4.12 of the Regulations<sup>2</sup>, National Grid has prepared this summary report to provide the Rhode Island Public Utilities Commission (the “Commission”) information regarding the results of the Company’s second solicitation.

Background

National Grid is required to annually solicit proposals from renewable energy developers and, provided commercially reasonable proposals have been received, enter into long-term contracts for the purchase of capacity, energy and attributes from newly developed renewable energy resources.<sup>3</sup> The timing and method of this annual solicitation process was approved by the Commission with some limited modifications at its open meeting on June 17, 2010, and the Commission issued a written order on December 1, 2010.<sup>4</sup>

Under the Long-Term Contracting Standard, National Grid is required to reach the 90 MW<sup>5</sup> minimum long-term contract capacity under contract within four years of the date of its first solicitation and was authorized expressly to procure long-term contracts for two specific projects: (1) the Town of Johnston Project (landfill gas) and (2) the Town of New Shoreham (Block Island) Project (including an undersea transmission cable to the Rhode Island mainland). On May 29, 2010, prior to the first solicitation, National Grid executed a Power Purchase Agreement (“PPA”) with Rhode Island LFG Genco, LLC (“RI LFG Genco”). In accordance with the specific statutory provisions authorizing this PPA, the Rhode Island Division of Public Utilities and Carriers (the “Division”) filed the

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

<sup>2</sup> The Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy, effective January 28, 2010 (the “Regulations”).

<sup>3</sup> See R.I.G.L. §39-26.1-3.

<sup>4</sup> On March 1, 2012, the Company filed with the Commission certain proposed revisions to the method of annual solicitation under the Long-Term Contracting Standard in accordance with the Commission’s Regulations. The changes are intended to integrate the statutory provisions under the Long-Term Contracting Standard with the recently enacted Net Metering Provision of the Renewable Energy Standard, R.I.G.L. § 39-26.4-1 *et seq.* and the Distributed Generation Standard Contracts Act, R.I.G.L. § 39-26.2-1 *et seq.*

<sup>5</sup> The requirement is equivalent to 90 MW at a capacity factor of 100 percent, which is 788,400 MWh annually. See R.I.G.L. §39-26.1-2(7).

executed PPA and required certifications with the Commission on July 9, 2010. This 32.1 MW project provides 27.3 MW of contract capacity, as defined under the statute, and represents 30.3 percent of the 90 MW requirement<sup>6</sup>.

The Company also entered into an amended PPA with Deepwater Wind Block Island, LLC (“Deepwater Wind”) for the Town of New Shoreham Project, which the Commission approved on August 17, 2010. The Deepwater Wind project as proposed in this Docket 4185 was comprised of eight 3.6 MW offshore wind turbines, having a total nameplate capacity of 28.8 MW, which would comprise 11.5 MW of the minimum long-term contract capacity requirement. This would bring the total contract capacity to 43.1 percent of the minimum requirement.<sup>7</sup>

As a result of the first solicitation, National Grid filed a PPA with Orbit Energy Rhode Island, LLC with the Commission on June 22, 2011 for a biogas project, which the Commission approved on July 28, 2011. This project contributes 2.6 MW of contract capacity as defined by the Regulations, which brings the Company’s total contract capacity to 46 percent of the 90 MW requirement. Thus, the Company was required to procure a minimum of 4 percent of contract capacity or 3.6 MW to meet the December 30, 2011 target of 50 percent of the long-term contract capacity requirement under the Long-Term Contracting Standard.

### Second Solicitation

National Grid issued its request for proposals (“RFP”) on June 30, 2011, with bids due on August 4, 2011. The Company posted the RFP and supporting documents on the power procurement section of the National Grid website and sent notifications to the ISO-NE Markets Committee and to a list of parties who have supplied, or indicated an interest in supplying, renewable energy certificates (“RECs”) to National Grid. The Company also sent notice of the RFP’s release to contacts with various “trade” publications in the energy field. On July 15, 2011, the Company held an information conference for prospective bidders at its office in Cumberland, Rhode Island.

The Company received seven bids in response to its second solicitation. As previously mentioned, National Grid was required to procure only 3.6 MW of contract capacity to reach the target for the second solicitation, which may have impacted the number of bids received during this second solicitation as some developers may have elected to focus on the next solicitation, when a larger requirement must be met.

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<sup>6</sup> The combined cycle generating facility has an output of 32.1 MW under average ambient conditions, and an estimated availability of 85 percent.

<sup>7</sup> On October 12, 2011, Deepwater Wind and Siemens announced an agreement for the purchase of five 6-MW wind turbine generators. If the project is constructed at 30 MW (with fewer turbines) as permitted under the statute and the amended PPA, the project would comprise 12 MW of contract capacity, and any construction cost savings would be reflected in the bundled energy price.

The following table summarizes the bids received in terms of generation source, location, nominal capacity (MW), and contract capacity<sup>8</sup>.

<b>Generation Type</b>	<b>Location</b>	<b>Nominal Capacity (MW)</b>	<b>Contract Capacity (MW)</b>	<b>Percent of 90 MW Requirement</b>
Biomass (Wood)	Gillman, VT	3.7	3.1	3.4
Hydro	Orono, ME	3.9	3.6	4.0
Solar PV	Hope Valley, RI	3.0	0.57	0.6
Solar PV	North Kingstown, RI	1.0	0.15	0.2
Land-based Wind	Somerset County, ME	51.0	19.7	22.5
Land-based Wind	Carthage, ME	33.0	12.0	13.3
Land-based Wind	North Kingstown, RI	1.5	0.47	0.5

The Company evaluated all of the bids based on price and non-price factors as described in the RFP. In the price evaluation (See Appendix A, Tables 2 and 3), which can award a maximum of 80 points, the submitted pricing is compared to a market forecast for capacity, energy, and RECs. The year-to-year differences between the pricing and forecast are brought to a unitized (\$/MWh) net present value in the first year of operation using a discount rate of seven percent. The project with the lowest unitized difference from the forecast is awarded 80 points. Points for the remaining projects are determined by subtracting 0.5 points for each \$/MWh higher in unitized net present value, and the remainder of the projects are ranked accordingly.

The Company also considered several non-price factors in its evaluation of the bids received in the first solicitation. Appendix B sets forth the non-price bid evaluation protocol method, which includes the following factors: Siting and Permitting, Project Development Status and Operational Viability, Experience and Capability of Bidder and Project Team, Financing, and Economic Benefit to Rhode Island.<sup>9</sup> A project may receive a maximum of 20 points in the non-price evaluation (See Appendix A, Table 4).

After the Company initially evaluated all proposals, the Company identified two bidders from which it sought additional information. On October 12, 2011, all other bidders were

<sup>8</sup> Dividing the estimated annual energy production by 8760 hrs/yr determines the amount of contract capacity that would count toward the 90 MW requirement. A more detailed summary including identity of bidders and pricing information is provided in Appendix A, Table 1.

<sup>9</sup> The non-price scoring methodology was included in the report on the first solicitation. It was concluded in the development of this methodology that for projects not located in Rhode Island, pricing could provide economic benefits, if that pricing was significantly lower than other projects in the solicitation.

notified by email that they had not been selected for further negotiations. After further evaluation of these two bids, including the additional information received, the final scoring of the two bids was virtually equal (See Appendix A, Table 5). The Company selected a proposal for a 3.9 MW Hydro project located in Maine for negotiation of a PPA, due to the combination of its size and scoring. The larger project, a land-based wind project also located in Maine, would have brought the total contract capacity to more than 60 percent of the requirement. The Company and the selected project's developer have executed a PPA, which will be filed with the Commission for its review and approval, pursuant to the Long-Term Contracting Standard and the Regulations. If approved by the Commission, this project will contribute 3.57 MW of contract capacity bringing the total contract capacity to approximately 50 percent of the 90 MW requirement.

As provided in Section 4.9 of the Regulations, following receipt of proposals resulting from the solicitation, the Company consulted with the Division. On August 9, copies of the bids received were provided to the Division. On October 7, 2011, after additional information had been received, and analyses had been completed, the Company met with the Division to review the bid evaluation process in detail.

#### Distributed Generation Standard Contracts Enrollment

Chapter 26.2 of Title 39 of the Rhode Island General Laws, entitled Distributed Generation Standard Contracts Act, became effective June 29, 2011. The Distributed Generation Standard Contracts Act requires contracting for 40 MW of nameplate capacity, or approximately 10 percent of the long term contracting requirement of 90 MW, in ten enrollment periods over four years. The initial enrollment under the Distributed Generation Standard Contracts Act was concluded in late December 2011 to meet a target of 5 MW. In a report filed with the Commission on January 17, 2012, National Grid reported that it had enrolled 5 MW of nameplate capacity, consisting of 3.5 MW of solar projects and 1.5 MW of wind. Based on the estimated annual energy production of the enrolled projects, the 5 MW of nameplate capacity is equivalent to 0.8 MW of contract capacity under the Long Term Contracting Standard.<sup>10</sup> It is notable that in this solicitation, three bids for small projects located in Rhode Island were received that would qualify for the Distributed Generation Standard Contract ("DG") enrollment. More broadly, it can be stated that some developers who bid small solar or wind projects in the first two competitive solicitations were later successful with projects in the initial DG enrollment.

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<sup>10</sup> When combined with the project selected in this second competitive solicitation, the contract capacity associated with the initial DG enrollment brings the total contract capacity to 50.9 percent of the 90 MW requirement. Counting the Deepwater Wind project as a 30 MW project would bring the total to 51.5 percent.

**Appendix A**

**RHODE ISLAND RENEWABLE ENERGY SOLICITATION**

**RFP Released June 30, 2011**

**SUMMARY OF BIDS, SCORING AND RANKING**

Table 1

2011 Rhode Island Renewable Energy Bid Evaluation  
 June 30, 2011 RFP

Final Bid Summary - Includes Revised Prices

COMPANY NAME	TECHNOLOGY	Net Capacity MW	Yrly MWh	Capacity Factor	Operational Date	Delivery Zone	Bundled \$/MWh (15yr)	Energy \$/MWh (15yr)	REC \$ (15yr)	Capacity Price (\$/ kW-Month)	Esc Rate
[REDACTED]	Biomass (wood)	3.7	27,550.0								
	Hydro, Run-of-River	3.9	31,268.0								
		3.9	31,268.0								
	Solar PV	3.0	4,991.0								
	Solar PV	1.0	1,338.0								
	Land-based Wind	51.0	155,000.0								
		51.0	155,000.0								
		51.0	155,000.0								
		51.0	155,000.0								
		51.0	155,000.0								
		51.0	155,000.0								
		51.0	155,000.0								
		51.0	155,000.0								
		51.0	155,000.0								
		Land-based Wind	33.0	104,867.0							
		33.0	104,867.0								
	Land-based Wind	1.5	4,099.7								

Notes:

[REDACTED]

Table 2  
 Project Ranking Based on Initial Price Evaluation

Initial RFP Submittals	Market Costs 80 Point Award		RANK
	Above Market Cost (\$/MWh)	Points Awarded	

In determining the point award, a levelized difference between contract price and market price forecast is calculated using a discount rate of 7%. The lowest bid is awarded 80 points; points for the remaining projects are determined by subtracting 0.5 points for each \$/MWh by which a bid exceeds the lowest.

Table 3  
 Project Ranking Based on Final Price Evaluation

Final Revised Pricing	Market Costs 80 Point Award		RANK
	Above Market Cost (\$/MWh)	Points Awarded	

In determining the point award, a levelized difference between contract price and market price forecast is calculated using a discount rate of 7%. The lowest bid is awarded 80 points; points for the remaining projects are determined by subtracting 0.5 points for each \$/MWh by which a bid exceeds the lowest.

Table 4  
 Project Ranking Based on Non-Price Evaluation

Project	Non-Price Score (20 Points Maximum)	Project Ranking (Non-Price)
[Redacted]		

Table 5  
 Project Ranking Based on Final Combined  
 Price/Non-Price Evaluation

COMBINED RANKING WITH REVISED PRICING Project	Price Evaluation	Non-Price Evaluation	Combined	
	Points Awarded	Points Awarded	Total Points	Rank
[Redacted]				

**DRAFT**  
**Legal Notice**  
**National Grid**  
**Review of Power Purchase Agreement With Black Bear Development Holdings,**  
**LLC**  
**R.I.P.U.C. Docket No. \_\_\_\_\_**

Pursuant to Rhode Island General Laws §39-26.1 *et seq.* (the “Long-Term Contracting Standard”) and the Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy (the “Regulations”) promulgated by the Rhode Island Public Utilities Commission (“Commission”), The Narragansett Electric Company, d/b/a National Grid (“Company”), hereby gives notice that on March 19, 2012, the Company filed the pre-filed testimony of National Grid’s witnesses, Mr. Madison N. Milhous, Jr., and Ms. Corinne M. Abrams, along with a copy of a power purchase agreement (“PPA”) for the potential purchase of renewable power from Black Bear Development Holdings, LLC (“Black Bear Hydro”), which National Grid has executed with Black Bear Hydro. The project, referred to as the “Black Bear Hydro Orono B Project,” is a 3.9 MW run-of-river hydroelectric plant located in Orono, Maine.

The pricing under the PPA is for an initial bundled energy price of 9.9 cents per kilowatt-hour in the initial year of operation based on the ISO-NE Rhode Island zone, adjusted annually by a 2% escalation factor. This pricing takes into account the energy price separation between the generator node in Maine and the Rhode Island zone.

The Black Bear Hydro Orono B Project will be constructed on an existing dam in the Stillwater Branch of the Penobscot River, and will contain three vertical turbine generators, each with a nameplate rating of 1.25 MW at a power factor of 0.90. The Black Bear Hydro Orono B Project will be interconnected to an adjacent Bangor Hydro distribution substation, which is connected by the Bangor Hydro 46 kV transmission system to the Graham Substation. The Graham Substation is the location for the 115 kV interconnection to the NEPOOL Pool Transmission Facilities.

A detailed description of the Company’s filing, along with a copy of the pre-filed testimony and the PPA are on file for examination at the offices of the Public Utilities Commission, 89 Jefferson Boulevard, Warwick, Rhode Island.

National Grid