

March 2, 2015

**VIA HAND DELIVERY AND ELECTRONIC MAIL**

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

**RE: 2016 Standard Offer Service Procurement Plan  
2016 Renewable Energy Standard Procurement Plan  
Docket No. 4556**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's<sup>1</sup> Standard Offer Service (SOS) procurement plan for 2016, as well as the Company's Renewable Energy Standard (RES) procurement plan for 2016. The SOS Procurement Plan is submitted in compliance with the provisions of R.I.G.L. §39-1-27.8. The RES Procurement Plan is submitted in compliance with the provisions of R.I.G.L. §39-26-4 and the Rules and Regulations Governing the Implementation of a Renewable Energy Standard promulgated by the Rhode Island Public Utilities Commission (PUC). In support of its 2016 SOS and RES procurement plans, the Company is submitting the pre-filed testimony and schedules of Margaret M. Janzen. As directed by the PUC in its December 23, 2014 Open Meeting ruling (written order 21827 issued February 23, 2015), Ms. Janzen's pre-filed testimony also includes the Company's responses to the recommendations contained in the Direct Testimony of John Farley submitted in Docket No. 4393.

**SOS Procurement Plan**

For 2016, the Company is proposing to continue to follow the procurement approach that was approved in 2014 through a combination of full requirements service (FRS) contracts and Independent System Operator-New England (ISO-NE) spot-market purchases for the Residential and Commercial Groups of Standard Offer Service customers. The pre-filed testimony of Margaret M. Janzen includes the approved SOS procurement plan for 2015 (Schedule 1), the proposed Procurement Plan for 2016 for each of three customer groups (Schedule 2), historical wholesale loads (Schedule 3), the standard Master Power Agreement (Schedule 4), the SOS RFP Summary template (Schedule 5), and a standard SOS Request for Proposal (RFP) Notice template (Schedule 6). The Company is seeking PUC approval of its proposed Procurement Plan, the

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

Master Power Agreement, and the RFP documents. The Company's proposed RFP documents remain the same with the exception of limited changes that have been redlined in the documents.

In Docket No. 4149, the PUC approved, starting in April 2011, the establishment of three customer groups consisting of an Industrial Group, a Commercial Group, and a Residential Group. The Company is proposing to continue to procure supply by customer group. The specific 2016 procurement schedules for each of the three customer groups are found in Schedules 2A, 2B, and 2C to the testimony of Ms. Janzen. As shown on Schedule 2A, the Industrial Group supply would be procured through three-month FRS contracts, solicited quarterly, for 100% of the load with the final contract for the Industrial Group to be executed in the fourth quarter of 2016 for the three-month period ending March 31, 2017. The Company proposes procuring SOS supply for the Commercial and Residential Groups separately through a combination of FRS contracts and ISO-NE spot market purchases as shown in Schedules 2B and 2C.

The proposed SOS Procurement Plan includes the following adjustments to the current plan approved in 2014:

- The solicitation of one “flat” bid price for the entire FRS contract term for each Residential and Commercial Group bid block, instead of varying “shaped” bid prices for each month.
- The elimination of the Variable Price Option for the Commercial Group. The Company is not proposing any other changes to the approved SOS pricing provisions for the procurement classes or to the approved SOS rate change and reconciliation filing dates.
- A modification to the timing of specific-duration Residential Group contracts. The 12-month contract will be in the first quarter, the 18 month contract will be in the second quarter, and the six-month contract will be in the third quarter. The 24-month contract will remain in the fourth quarter.
- A transformation of the Commercial Group's procurement schedule to the Residential Group's schedule.

The “flat” bid price proposal and the elimination of the Variable Price Option will help make the migration process easier for customers who select a Non-regulated Power Producer (NPP). These proposals will result in the gradual decrease and eventual elimination of the billing adjustment for Residential and Commercial customers that switch from SOS to a NPP.

The Company proposes to adopt the proposed Residential Group's schedule for the Commercial Group, in order to provide the same volatility protection to the Commercial Group as it does for the Residential Group. The additional laddering and varying lengths of the FRS contracts under the Residential Group schedule allows for mitigation of price volatility because the individual contracts are procured at different times and are dollar-cost averaged to create a blended supply rate.

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**RES Procurement Plan**

The Company is seeking approval of its 2016 RES Procurement Plan (Schedule 7). The Company also seeks approval for its standard RES Certificate Purchase Agreement (CPA) (Schedule 8), its standard RES RFP Notice template (Schedule 9), and the standard RES RFP Summary template (Schedule 10). The Company's proposed CPA, RES RFP Notice, and RES RFP Summary remain the same with the exception of limited changes that have been underlined.

As was the case for the 2015 RES Procurement Plan, under the Company's proposed 2016 RES Procurement Plan New Renewable Energy Certificates (RECs) obtained through Long-Term Renewable Contracts would be used to help satisfy the Company's RES obligations, in accordance with R.I.G.L. § 39-26.1-5(d). The Company would also have the ability to solicit RECs through SOS competitive solicitations, which would request separate pricing from FRS bidders to accept the remaining RES obligation for the period served by the SOS contract, or through standalone RES solicitations.

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", with a horizontal line extending to the right.

Jennifer Brooks Hutchinson

Enclosure

cc: Leo Wold, Esq.  
Steve Scialabba, Division

National Grid

The Narragansett Electric Company

**2016 Standard Offer Supply  
Procurement Plan**

**2016 Renewable Energy  
Standard Procurement Plan**

March 2, 2015

Docket No. 4556

**Submitted to:**  
Rhode Island Public Utilities Commission

Submitted by:

**nationalgrid**

**Testimony of  
Margaret M. Janzen**

**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
RIPUC DOCKET NO. 4556  
2016 STANDARD OFFER SERVICE PROCUREMENT PLAN  
2016 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN  
WITNESS: MARGARET M. JANZEN**

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**DIRECT TESTIMONY**

**OF**

**MARGARET M. JANZEN**

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1 **I. Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is Margaret M. Janzen, and my business address is 100 East Old Country Road,  
4 Hicksville, NY 11801.

5 **Q. Please state your position with and describe your duties at National Grid.**

6 A. I am the Director of Wholesale Electric Supply for National Grid USA Service Company,  
7 Inc. (National Grid). I oversee the procurement of energy, capacity and ancillary  
8 services, portfolio hedging strategies, and other energy supply related activities for  
9 National Grid's operating companies, including The Narragansett Electric Company d/b/a  
10 National Grid (Narragansett or the Company). For Narragansett, these activities include  
11 the procurement of power for Standard Offer Service (SOS) as well as the procurement of  
12 renewable energy certificates (RECs).

13 **Q. Will you describe your educational background and training?**

14 A. I graduated from The Cooper Union in 1993 with a Bachelor of Engineering Degree in  
15 Civil Engineering. I received a Master of Business Administration Degree in Finance  
16 from Baruch College in 2000.

17 **Q. What is your professional experience?**

18 A. In July 1993, I joined The Brooklyn Union Gas Company as a management trainee and  
19 have held various positions of increasing responsibility at KeySpan Corporation and  
20 National Grid in the areas of Engineering, Strategic Planning, Treasury, Investor

1 Relations, and Regulatory. In March 2008, I assumed my current role as Director of  
2 Wholesale Electric Supply.

3 **Q. Have you previously testified before the Rhode Island Public Utilities Commission**  
4 **(PUC)?**

5 A. Yes, in several dockets.

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

7 A. Yes. I have testified before the Massachusetts Department of Public Utilities and the  
8 New Hampshire Public Utilities Commission, and have also presented to the New York  
9 Public Service Commission regarding electric supply, portfolio hedging, and renewable  
10 procurement activities.

11 **II. Purpose of Testimony**

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

13 A. First, regarding SOS, I will provide an overview of the existing 2015 Standard Offer  
14 Service Procurement Plan (2015 SOS Plan) approved by the PUC last year in Docket No.  
15 4490. Second, I will discuss the procurement plan that is proposed in this filing for 2016  
16 and subsequent periods (2016 SOS Plan). Third, I will provide an overview of the  
17 existing 2015 Renewable Energy Standard Procurement Plan (2015 RES Plan) approved  
18 by the PUC last year, also in Docket No. 4490, and discuss the Company's proposed  
19 2016 Renewable Energy Standard Procurement Plan (2016 RES Plan). The 2016 RES  
20 Plan is designed to meet the Company's 2016 obligations under the Rhode Island

1 Renewable Energy Standard (RES) by obtaining the statutorily established percentage of  
2 its energy supply from eligible renewable energy resources through the procurement of  
3 qualifying NEPOOL-Generator Information System (GIS) certificates. (See RIGL § 39-  
4 26-4).

5 Finally, as directed by the PUC in its Order No. 21827 issued on February 23, 2015, I  
6 will respond to the recommendations contained in the Direct Testimony of John Farley  
7 submitted in Docket No. 4393.

8 **Q. What is the basis for the Company's submission of its proposed 2016 SOS Plan for**  
9 **PUC approval?**

10 A. Rhode Island General Laws §§ 39-1-27.3 and 39-1-27.8 require the Company to arrange  
11 for a power supply for customers who are not otherwise receiving electric service from a  
12 Non-regulated Power Producer (NPP). Specifically, pursuant to RIGL § 39-1-27.8, from  
13 2009 through 2018, the Company must file an annual supply procurement plan with the  
14 PUC that includes the procurement procedure, the pricing options being sought, and a  
15 proposed term of service for which SOS will be acquired. All such components of the  
16 procurement plan are subject to review and approval by the PUC.

17 **Q. What is the basis for the Company's submission of its proposed 2016 RES Plan for**  
18 **PUC approval?**

19 A. The RES was enacted by the Legislature on June 29, 2004, and is codified at RIGL § 39-  
20 26-1 *et seq.* On December 8, 2005, the PUC promulgated Rules and Regulations

1           Governing the Implementation of a Renewable Energy Standard, effective January 1,  
2           2006 (RES Regulations). Pursuant to the RES, RIGL § 39-26-4 and Section 4.0 of the  
3           RES Regulations, beginning on January 1, 2007, the Company and all other Obligated  
4           Distribution Companies (as specified in Definition 3.25 of the RES Regulations) are  
5           required to obtain a specified percentage of their energy supply from a mix of new and  
6           existing renewable energy resources. Sections 8.2 and 8.3 of the RES Regulations  
7           require the Company and all Obligated Distribution Companies to annually submit a  
8           Renewable Energy Procurement Plan to the PUC that demonstrates its procedures for  
9           obtaining resources that satisfy the Company's RES obligations.

10   **Q.    Are you sponsoring any schedules in your testimony?**

11   A.    Yes. I am sponsoring the following schedules:

12           Schedule 1 – Approved 2015 SOS Plan

13           Schedule 2 – Proposed 2016 SOS Plan – Industrial, Commercial, & Residential

14           Schedule 3 – SOS Wholesale Loads

15           Schedule 4 – Master Power Agreement (MPA)

16           Schedule 5 – SOS RFP Notice (Template)

17           Schedule 6 – SOS RFP Summary (Template)

18           Schedule 7 – Proposed RES Plan for 2016

19           Schedule 8 – Certificate Purchase Agreement (CPA)

20           Schedule 9 – RES RFP Notice (Template)

21           Schedule 10 – RES RFP Summary (Template)

1 **III. Current 2015 SOS Plan**

2 **Q. Please provide an overview of the approved 2015 SOS Plan.**

3 A. The 2015 SOS Plan (Docket No. 4490, approved on June 30, 2014) has three distinct  
4 classes of service:

5 (1) Industrial Group, consisting of customers receiving service on Large Demand

6 Rate G-32, Optional Large Demand Rate G-62, Backup Service Rates B-32 and

7 B62, and Electric Propulsion Rate X-01;

8 (2) Commercial Group, consisting of customers receiving service on General C&I

9 Rate G-02, Small C&I Rate C-06, Limited Private Lighting Rate S-10, Customer-

10 Owned Streetlighting Equipment Rate S-05, Decorative Street and Area Lighting

11 Service Rate S-06, and General Streetlighting Rate S-14; and

12 (3) Residential Group, consisting of customers receiving service on Basic Residential

13 Rate A-16 and Low Income Discount Rate A-60.

14 The 2015 SOS Plan for the Industrial Group involves acquiring a load-following, full  
15 requirements service (FRS) contract for 100% of the load through quarterly solicitations  
16 for three months in duration: January through March, April through June, July through  
17 September, and October through December. With a FRS contract, the supplier becomes  
18 responsible for the energy, capacity, ancillary services, and miscellaneous Independent  
19 System Operator-New England (ISO-NE) charges of the particular Standard Offer  
20 Service customer group for a fixed dollar per megawatt-hour (\$/MWh) price. It should

1           be noted that the term “contract” used in this context, may in fact be several “bid blocks”  
2           that add up to the total load solicited. The smaller bid blocks are designed to benefit  
3           pricing and supplier diversity.

4           The 2015 SOS Plan for the Residential Group and the Commercial Group involves a  
5           combination of FRS contracts and ISO-NE spot market purchases. The Company layers  
6           in FRS contracts for the benefit of diverse pricing points in a manner that diversifies risk  
7           for customers in each customer group. Each contract for the Residential and Commercial  
8           Groups is comprised of six-month bid blocks. For example, a 24-month contract will  
9           consist of four independent bid blocks. Dividing the contract creates the opportunity to  
10          award the bid blocks to a combination of suppliers, rather than a single supplier, if the  
11          overall cost is lower. If the single supplier has the lowest overall cost, it will win all four  
12          bid blocks.

13          Schedule 1 is the approved 2015 SOS Plan.

14          In Docket No. 4149 (approved on August 5, 2010), the Company proposed a Commercial  
15          Group procurement schedule for 2011 that would allow a transition to a repeating  
16          schedule. The repeating schedule consists of quarterly solicitations, with each  
17          solicitation alternating between procuring one six-month contract and one 12-month  
18          contract. Each contract will be for 30% of the Commercial load. When all FRS contracts  
19          have been acquired, each month will have FRS contracts for 90% of the Commercial load

1 and the remaining 10% of the load would be procured by the Company through ISO-NE  
2 spot market purchases.

3 In Docket No. 4149, the Company also proposed a Residential Group procurement  
4 schedule for 2011 that would allow a transition to a repeating schedule. The repeating  
5 procurement schedule for the Residential Group also consists of quarterly solicitations;  
6 however, unlike the Commercial Group, the FRS contracts procured for the Residential  
7 Group will be for four different durations and percentages of load. The four contracts  
8 would be for 6 months, 12 months, 18 months, and 24 months. When all FRS contracts  
9 have been acquired, each month will have FRS contracts totaling 90% of the Residential  
10 load, and the remaining 10% of the load would be procured by the Company through  
11 ISO-NE spot market purchases. The additional laddering and varying lengths of the  
12 Residential FRS contracts allows for mitigation of price volatility because the individual  
13 contracts are procured at different times and are dollar-cost averaged to create a blended  
14 supply rate.

15 **IV. Proposed SOS Plan for 2016 and Subsequent Periods**

16 **Q. Please summarize the Company's proposed SOS procurement plan for periods**  
17 **subsequent to those addressed in the approved 2015 SOS Plan.**

18 **A.** The Company is proposing to continue the method of procuring SOS supply through a  
19 combination of FRS contracts and ISO-NE spot market purchases with the mix of  
20 products tailored to meet the needs of each customer group.

1 To clarify, with this filing, the Company is requesting approval of the proposed 2016  
2 SOS Plan to conduct FRS solicitations for all procurement groups during calendar year  
3 2016, recognizing that some contracts will have delivery periods beyond 2016.

4 **Q. Why does the Company propose the continuation of procuring supply by customer**  
5 **group?**

6 A. The Company believes that there are differences between various types of customers, and  
7 as markets continue to develop, it is important to tailor the SOS supply portfolio for a  
8 given type of customer to the appropriate balance of price stability, given the customer's  
9 ability and willingness to respond to price signals to encourage efficient consumption,  
10 customer investment, and service decisions. Using a tailored and separate supply  
11 portfolio for each distinct customer group is also consistent with the Company's  
12 experience in other service areas and ensures proper assignment of costs and risks.

13 Industrial customers are generally the most willing and/or able to access the competitive  
14 retail supply market to meet their needs. As a result, these customers do not need to rely  
15 upon SOS to provide them price stability to the same degree as commercial and  
16 residential customers. Therefore, the SOS supply portfolio for industrial customers  
17 should comprise a greater portion of shorter-term supply products. As a result of these  
18 observations, under the Company's plan, the supply portfolio for industrial customers  
19 involves the highest portion of shorter-term FRS products (and hence the lowest level of  
20 price stability and the strongest market price signals).

1 Residential and commercial customers have different usage patterns. Additionally,  
2 commercial customers are generally more willing and/or able to access the competitive  
3 retail supply market to meet their needs than are residential customers. Therefore, it is  
4 appropriate that SOS supply for these two customer groups is procured separately.

5 **Q. How is the Company proposing to procure SOS supply for the Industrial Group for**  
6 **deliveries starting January 1, 2016?**

7 A. For the Industrial Group, the Company is proposing to continue the approved method of  
8 procuring SOS supply through FRS contracts, three months in duration, solicited  
9 quarterly, for 100% of the load. The final contract will be executed in the fourth quarter  
10 of 2016 for the three-month period ending March 31, 2017, as shown in Schedule 2A.  
11 This proposed plan is the same as the approved 2015 SOS Plan that the Company  
12 currently employs for the Industrial Group.

13 **Q. What is the Company's proposal to procure SOS supply for the Commercial and**  
14 **Residential Groups in 2016?**

15 A. SOS supply for the Commercial and Residential Groups will continue to be procured  
16 separately. Both portfolios will include a combination of FRS contracts and ISO-NE spot  
17 market purchases. In a departure from previous procurement plans, the Company is  
18 proposing a change to the Commercial Group such that the contract durations and  
19 frequency of dollar-cost averaging for both groups will be the same. The Company is  
20 proposing to transition the Commercial Group's schedule to the Residential Group's

1 laddered and layered schedule. The Residential Group's contracts for 90% of the  
2 obligation are executed over five requests for proposals (RFPs), or five price points. The  
3 sixth price point is the 10% procured in the spot market. Under the Company's proposal,  
4 the Commercial Group will increase the price points within its rates to six from the  
5 previous four.

6 **Q. Please describe the specific procurement schedules for the Industrial, Commercial,**  
7 **and Residential Groups.**

8 A. Specific procurement schedules were submitted last year in Docket No. 4490 for the 2015  
9 SOS Plan. These are updated as described below and attached as Schedule 2 to the  
10 proposed 2016 SOS Plan. Schedule 2 shows the procurement calendar for each customer  
11 group: Schedule 2A is for the Industrial Group, Schedule 2B is for the Commercial  
12 Group, and Schedule 2C is for the Residential Group. The yellow-colored blocks in the  
13 Schedule represent contracts that the Company executed pursuant to the 2015 SOS Plan.  
14 The white-colored blocks in the Schedule represent future solicitations that have been  
15 approved in the 2015 SOS Plan. The blue-colored blocks in the Schedule represent  
16 actions for which the Company is requesting approval that modify the 2015 SOS Plan to  
17 transition to the new repeating schedule in the proposed 2016 SOS Plan. The green-  
18 colored blocks in the Schedule represent solicitations for which the Company is  
19 requesting approval in the 2016 SOS Plan. The gray-colored blocks in the Schedule

1 represent future intended solicitations, but which have not been submitted for approval in  
2 this proceeding.

3 As set forth above, Schedule 2B and Schedule 2C describe the details of the Commercial  
4 and Residential procurement schedules, respectively. As approved in Docket No. 4490,  
5 through the fourth quarter of 2015, the Company will procure power for 2015 through  
6 2017 through quarterly FRS solicitations of two years or less in duration. Starting in  
7 January 2016, quarterly FRS solicitations are proposed to occur for contracts of various  
8 durations up to two years in length that would serve customers in 2016 through 2018.

9 **Q. Is the Company proposing any modifications to the Residential Group schedule?**

10 A. Yes, the Company is proposing a modification regarding the schedule of the solicitations  
11 for the Residential Group. The Company will continue to employ a repeating schedule  
12 very similar to the one initially approved in Docket No. 4149. The repeating  
13 procurement schedule for the Residential Group will continue to consist of quarterly  
14 solicitations for four different durations and percentages of load. The four contracts  
15 would be for 6 months, 12 months, 18 months, and 24 months. The difference from the  
16 2015 SOS Plan is a shift of when the different length contracts will be procured. For  
17 example, in the second quarter of the 2015 SOS Plan, the Company will procure a six-  
18 month contract. In the proposed 2016 SOS Plan, the Company will procure an 18-month  
19 contract in the second quarter in 2016. The transaction resulting in a six-month contract  
20 would then be shifted to the third quarter of 2016. The purpose of the shift is to include a

1 more recent transaction in the July to December rate period. When all FRS contracts  
2 have been completed, each month will have FRS contracts for 90% of the Residential  
3 load, and the remaining 10% of the load would be procured by the Company through  
4 ISO-NE spot market purchases.

5 **Q. What is the current Commercial Group schedule?**

6 A. The current repeating schedule for the Commercial Group consists of quarterly  
7 solicitations, with each solicitation alternating between procuring one six-month contract  
8 and one 12-month contract. Each contract is for 30% of the Commercial load.

9 **Q. What is the proposed modification to the Commercial Group schedule?**

10 A. The Company proposes to adopt the proposed Residential Group's schedule for the  
11 Commercial Group to provide the same volatility protection to the Commercial Group as  
12 it does for the Residential Group. The additional laddering and varying lengths of the  
13 FRS contracts under the Residential Group schedule allows for mitigation of price  
14 volatility because the individual contracts are procured at different times and are dollar-  
15 cost averaged to create a blended supply rate. The proposed repeating procurement  
16 schedule for the Commercial Group will consist of quarterly solicitations for different  
17 percentages of load and for contract lengths of 6 months, 12 months, 18 months, and 24  
18 months. When all FRS contracts have been completed, each month will have FRS  
19 contracts for 90% of the Commercial load, and the remaining 10% of the load would be  
20 procured by the Company through ISO-NE spot market purchases.

1 **Q. Is there a transition period for the Residential and Commercial Groups before each**  
2 **group reaches its proposed repeating schedule?**

3 A. Yes, Schedule 2B and Schedule 2C illustrate the actions necessary to transition from the  
4 current repeating schedule to the proposed repeating schedule. For the Commercial  
5 Group, this consists of transitioning from 30% bid blocks for six and 12 months to the  
6 new bid block durations and sizes. For the Residential Group, this consists of shifting the  
7 procurement of specific durations of the contracts to a different date. The transition plans  
8 in Schedule 2B and Schedule 2C are based on the Company receiving approval prior to  
9 its third quarter 2015 solicitation issuance (i.e., July 2015).

10 **Q. Is the Company requesting approval to modify the current 2015 SOS Plan as part of**  
11 **this filing?**

12 A. Yes, in order to transition to a new repeating schedule, the Company must amend the  
13 remaining contracts in the approved 2015 SOS Plan. Schedule 2B and Schedule 2C  
14 illustrate the transactions necessary to transition from the current to the proposed  
15 repeating schedules if the Company receives PUC approval prior to July 2015, which is  
16 when its third quarter 2015 solicitation would be issued. If the Company receives  
17 approval after July 2015 but before October 2015, then it will use modified transition  
18 schedules to issue its solicitation in the fourth quarter of 2015.

19 **Q. Is the Company proposing any changes to the currently effective SOS pricing**  
20 **provisions or to SOS rate change and reconciliation filing dates?**

1 A. Yes, the Company proposes to eliminate the Variable Price Option for the Commercial  
2 Group, which is explained further in the next section. There are no other proposed  
3 changes to the dates for the SOS rate change and reconciliation filings.

4 **V. SOS Procurement Process and Schedule**

5 **Q. What are the expected loads for the three SOS groups?**

6 A. Schedule 3A is a graph and table of the historical wholesale SOS loads since January  
7 2007. The table included in Schedule 3A also includes historical wholesale competitive  
8 supply loads. Schedule 3B is a table of the forecasted monthly SOS loads for 2016.

9 **Q. Is the Company seeking approval of certain documents used to procure FRS**  
10 **contracts?**

11 A. Yes, the Company is seeking approval of its standard Master Power Agreement (MPA),  
12 which is included as Schedule 4. There are no significant changes to the MPA from the  
13 one that the PUC approved in Docket No. 4490. The Company would only accept non-  
14 substantive changes to the standard MPA if such changes proposed by suppliers do not  
15 shift risk to the Company's customers.

16 **Q. Are there other documents for which the Company is requesting approval?**

17 A. Yes, the Company is requesting approval of the standard SOS RFP Notice, which is  
18 included as Schedule 5. This document is redlined to show the proposed edits to the  
19 version approved in Docket No. 4490, as are all subsequent redlined schedules. The  
20 Company's proposed edits would apply retroactively to the SOS RFP Notice approved in

1 the 2015 SOS Plan. The Company also requests approval of the standard SOS RFP  
2 Summary, which is included as Schedule 6. There are no significant changes from the  
3 document that the PUC approved in Docket No. 4490.

4 **Q. Please explain the procedure that the Company will utilize to procure SOS.**

5 A. The Company will take the following steps to procure SOS:

- 6 1. Issue an RFP to all interested wholesale power suppliers approximately 11 weeks  
7 prior to the start of the first service period;
- 8 2. Require that all suppliers that will bid have an executed MPA;
- 9 3. Receive initial responses to the RFP, which will include background information  
10 for each Respondent and the indicative pricing for the FRS contracts;
- 11 4. File with the PUC and Rhode Island Division of Public Utilities and Carriers (the  
12 Division) within 24 hours a summary of all indicative bids received, which shall  
13 include, without limitation, the name of the bidder, the amount of power bid, and  
14 the price;
- 15 5. Receive final binding prices and evaluate final prices and security requirements  
16 within the day;
- 17 6. Select a supplier(s) and execute a power supply confirmation(s);
- 18 7. File with the PUC and Division within 24 hours a summary of all bids received  
19 which shall include, without limitation, the name of the bidder, the amount of  
20 power bid, and the price; and

1           8.     File the RFP Summary of the procurement process provided in Schedule 6,  
2                   including bids received, on a confidential basis with the PUC for its review.

3     **Q.     What form of RFP will the Company use to obtain FRS contracts?**

4     A.     The proposed RFP Notification document, provided in Schedule 5, will be used by the  
5           Company to obtain FRS contracts. This document reserves the Company’s right to make  
6           non-substantive changes to the form and requirements of the RFP to address any issues  
7           that may arise during the solicitation process. In addition, the Company reserves the right  
8           to make non-substantive changes to the form and requirements of the RFP to address any  
9           issues that may arise or to incorporate best practices learned between the date of the  
10          Company’s filing in this Docket and the date the RFP is issued.

11    **Q.     Are there any proposed changes to the RFP procedure for the proposed 2016 SOS**  
12           **Plan and in the current 2015 SOS Plan from what is detailed in the 2015 SOS Plan?**

13    A.     Yes. The RFP will require one “flat” bid price for the entire contract term for each  
14          Residential Group and Commercial Group bid block. In other words, the bid price will  
15          be the same for each month of the contract. This is a change from the 2015 SOS Plan, in  
16          which a supplier could provide varying “shaped” bid prices for each month of the block  
17          or one “flat” bid price for the entire block. The Company’s proposal would apply  
18          retroactively to the remaining transactions not yet executed in the 2015 SOS Plan.

1 **Q. Has the Company proposed only flat bid prices in previous procurement plans?**

2 A. Yes, in Docket No. 4227, it proposed a flat bid price for the Residential Group in its  
3 filing of the proposed 2012 Standard Offer Service Procurement Plan (2012 SOS Plan).

4 **Q. What was the Company's rationale for this proposal in the 2012 SOS Plan?**

5 A. The Company proposed that one flat bid price would minimize deferrals, resulting in less  
6 volatility of the Residential SOS rates, by better aligning revenues received through  
7 customer retail rates with the supply costs paid to the FRS suppliers. The PUC did not  
8 accept this proposal and ordered the Company to accept flat or shaped bids for  
9 procurement of the Residential Group load.

10 **Q. Why does the Company propose flat bid prices in the proposed 2016 SOS Plan?**

11 A. In order to simplify retail choice for customers, the Company proposes to procure SOS  
12 supply at flat prices in the 2016 SOS Plan in order to eliminate the one-time billing  
13 adjustment for Residential and Commercial customers that switch from SOS to a NPP.  
14 The billing adjustment may be a charge or a credit and arises due to the difference  
15 between the monthly SOS transaction prices and the six-month retail SOS rate.  
16 Customers can switch to a NPP effective on any date during the six-month rate period. If  
17 the underlying SOS transaction prices are higher than the six-month retail rate at the time  
18 the customer left SOS (such as the month of July), the customer would incur a charge for  
19 the actual cost of the power while the customer was on SOS. Conversely, if the

1           underlying SOS transaction prices were lower than the retail rate at the time the customer  
2           left SOS (such as the month of October), then the customer would receive a credit.

3           Under the Company’s proposal, the underlying SOS transaction prices and the retail SOS  
4           rate would be equal each month. Therefore, a billing adjustment would not be necessary  
5           when a Residential or Commercial customer switches to a NPP. This proposal should  
6           eliminate customer confusion, increase customer satisfaction, and facilitate the migration  
7           of customers seeking to switch to a NPP.

8   **Q.   When will the billing adjustments be discontinued?**

9   A.   In order to completely eliminate the billing adjustments, all existing shaped bid price  
10       transactions must expire and be replaced by flat bid price transactions. As the existing  
11       shaped bid price transactions are replaced, the billing adjustments will gradually decrease  
12       until they are completely discontinued. The Company anticipates that this will be  
13       accomplished by December 2016.

14   **Q.   What billing options will be available to commercial customers?**

15   A.   The Company proposes to continue to offer “Fixed Price” rates to commercial customers,  
16       which will complement the elimination of the billing adjustment and the flat contract  
17       procurement. The Variable Price Option will no longer be offered. Customers on Rate  
18       G-02 and the outdoor lighting rate classes will now be defaulted to the Fixed Price  
19       Option, which is a flat SOS rate for six months. Rate C-06 customers will continue to be  
20       defaulted to the Fixed Price Option.

1 **Q. Is it possible that flat bid prices could be higher than shaped bid prices?**

2 A. Yes, it is possible; however, some FRS suppliers have indicated that an incremental  
3 premium would not be added to create a flat bid price. It should be noted that most  
4 suppliers have indicated their preference to submit bids in the shaped price format  
5 because it better aligns their bids with expected market costs. The Company notes that  
6 flat bids are currently used in other states so wholesale suppliers are familiar with its  
7 pricing.

8 **Q. Can you explain how the winning bidders will be determined in the solicitations?**

9 A. The winning bidders will be those who have offered the lowest final bid prices.

10 **Q. How would a winning bidder be determined if identical weighted average final bids**  
11 **are offered?**

12 A. If there are two or more bids with the identical lowest prices for the Industrial Group,  
13 then the winning bidder will be determined by selecting the bidder with the lowest final  
14 bid price for the estimated highest volume month. If there are two or more bids with the  
15 identical lowest price for the Residential Group, then the FRS contract would be divided  
16 equally among the lowest bidders. If one of the lowest bidders refuses to equally split the  
17 contract, then its portion will be awarded to the other winning supplier(s). This award  
18 process for the Residential Group would be the same as for the Commercial Group.

1 **VI. Current 2015 RES Procurement Plan**

2 **Q. Please provide an overview of the existing approved 2015 RES Plan.**

3 A. The 2015 RES Plan (Docket No. 4490, approved on June 30, 2014), consists of  
4 purchasing NEPOOL-GIS Renewable Energy Certificates (New RECs) from the  
5 renewable generation projects that have executed contracts with the Company under the  
6 Long Term Contracting Standard for Renewable Energy and Distributed Generation  
7 Standards Contracts Act (collectively, Long Term Renewable Contracts). The Company  
8 may also procure RECs through standalone RES RFPs, SOS RFPs, or through brokers.

9 **Q. How will the Company determine the actual value of RECs from the renewable  
10 generation projects for the purpose of reconciling the Long Term Contracting for  
11 Renewable Energy Recovery Factor (LTC Recovery Factor)?**

12 A. As approved in Docket No. 4338, the Company will determine the actual value of these  
13 RECs for the purpose of reconciling the LTC Recovery Factor by using available current  
14 market information, such as recent RES solicitation results, broker information, or  
15 published REC indices. On a quarterly basis, the Company will obtain market prices for  
16 a period of ten business days before the opening of the NEPOOL GIS trading period and  
17 ten business days after. The Company will then average those market prices to calculate  
18 a REC market value which be used to reconcile the LTC Recovery Factor. Any  
19 difference between this REC market value and the estimate used to forecast the LTC  
20 Recovery Factor will flow through the reconciliation mechanism. To further clarify, the

1           Company proposes to establish the transfer price of RECs throughout the year per the  
2           following illustrative schedule:

<b>Quarter (3-month Generation Period)</b>	<b>Transfer Date (when available in GIS)</b>	<b>Time period for gathering price data (approx 10 days before and after Transfer Date)</b>
1Q15 (Jan – Mar 2015)	July 15, 2015	July 1-30, 2015
2Q15 (Apr – Jun 2015)	Oct 15, 2015	Oct 1-30, 2015
3Q15 (Jul – Sep 2015)	Jan 15, 2016	Jan 1-30, 2016
4Q15 (Oct – Dec 2015)	Apr 15, 2016	Apr 1-30, 2016
1Q16 (Jan – Mar 2016)	July 15, 2016	July 1-30, 2016
2Q16 (Apr – Jun 2016)	Oct 15, 2016	Oct 1-30, 2016
...	...	...

3  
4           It should be noted that NEPOOL may modify the GIS trading periods for RECs at some  
5           point in the future, at which point the Company would establish the transfer price  
6           whenever the RECs are delivered.

7   **Q.    Will the Company charge SOS customers the same amount that is credited against**  
8           **the cost of the Long Term Renewable Contracts?**

9   **A.    Yes.** As described in Docket No. 4338, the Company will charge SOS customers the  
10           same amount that is credited to delivery customers through the LTC Recovery Factor  
11           reconciliation, which offsets the cost of the Long Term Renewable Contracts.

1 **Q. What will the Company do if the RECs from Long Term Renewable Contracts are**  
2 **greater or less than those needed to satisfy the RES requirement?**

3 A. In the event that the Long Term Renewable Contracts do not provide the RECs necessary  
4 to comply with the RES obligations, the Company has the ability to solicit RECs through  
5 standalone RES solicitations or through SOS competitive solicitations. The flexibility of  
6 the standalone RES solicitation makes it the ideal method because it can be issued at any  
7 time and for exact REC quantities, which are two advantages absent in the quarterly SOS  
8 solicitations.

9 In the event that the Long Term Renewable Contracts provide RECs in excess of the  
10 amounts necessary to comply with the RES obligations, the Company may “bank” up to  
11 30% of the RES obligation or sell the RECs through standalone RES Requests for Bids or  
12 by engaging a third party to broker the sale. According to the RES Regulations, 30% of  
13 the New RES Obligation for a compliance year may be banked in order to satisfy the  
14 RES requirement over the following two years. Once the excess RECs from Long Term  
15 Renewable Contracts exceed the RES obligation as well as the allowable banking limit,  
16 the Company must sell these RECs or they will expire worthless.

17 **VII. Proposed RES Procurement Plan for 2016**

18 **Q. How does the proposed 2016 RES Plan compare to 2015 RES Plan approved by the**  
19 **PUC?**

1 A. The Company is proposing to continue the practice of procuring RECs through a  
2 combination of Long Term Renewable Contracts, RES RFPs, SOS RFPs, or through  
3 brokers. The Company is seeking approval of the proposed 2016 RES Plan, which is  
4 included as Schedule 7. The Company proposes to continue using the current standard  
5 Certificate Purchase Agreement (CPA) that is used to procure RECs via the standalone  
6 RES RFPs.

7 **Q. Is the Company seeking approval of the CPA?**

8 A. Yes, the Company is seeking approval of its standard CPA, which is included as  
9 Schedule 8. There are no significant changes to the CPA from that approved by the PUC  
10 in Docket No. 4490. The Company would only accept non-substantive changes to the  
11 standard CPA if such changes proposed by suppliers do not shift risk to the Company's  
12 customers.

13 **Q. Are there other documents for which the Company is requesting approval?**

14 A. Yes, the Company is requesting approval for the standard RES RFP Notice, which is  
15 included as Schedule 9, and the standard RES RFP Summary, which is included as  
16 Schedule 10. There are no significant changes from the documents that the PUC  
17 approved in Docket No. 4490.

18 **Q. Please describe the 2016 RES Plan that the Company is submitting for approval**  
19 **with this filing.**

1 A. As with the previously approved RES Procurement Plans, the 2016 RES Plan will  
2 continue to be integrated with the SOS procurement plan. Consequently, in accordance  
3 with Section 8.2 of the PUC's RES Regulations, the Company is submitting the 2016  
4 RES Plan in conjunction with the 2016 SOS Plan. I will cover the following topics in my  
5 testimony regarding the Company's proposal to meet the RES for 2016:

- 6 • Estimated RES requirements;
- 7 • The Company's proposed 2016 RES Plan;
- 8 • Integration of the 2016 RES Plan with Long Term Renewable Contracts;
- 9 • Forecast of RECs from Long Term Renewable Contracts to meet future RES  
10 requirements; and
- 11 • Integration of the 2016 RES Plan with the 2016 SOS Plan.

12 **Q. Has the Company estimated its RES obligations for 2016?**

13 A. Yes, the Company has developed an estimate of its RES obligations for SOS in 2016 in  
14 Schedule 7. This estimate of the 2016 RES obligation is calculated by multiplying the  
15 2016 required percentage from New or Existing renewable energy resources by the  
16 estimated SOS load for 2016. Schedule 3B is an estimate of 2016 SOS load.

17 **Q. How will the Company procure RECs in 2016 to satisfy its RES obligations?**

18 A. As described in the 2016 RES Plan, the Company proposes to continue to use the New  
19 RECs obtained through its Long Term Renewable Contracts to satisfy its RES  
20 obligations, as approved in the 2015 RES Plan, and in accordance with RIGL § 39-26.1-

1           5(d). The Company also proposes to continue to link its purchase of NEPOOL-GIS  
2           Certificates with its purchase of SOS FRS load requirements, as approved in the 2015  
3           RES Plan. In each SOS solicitation, SOS bidders have the option to submit RES pricing  
4           to satisfy the RES obligations. Linking the purchase of the remaining RES obligation  
5           with the actual SOS load requirement would enable the Company to directly purchase the  
6           actual RES obligations from the FRS suppliers which would deliver the exact number of  
7           NEPOOL-GIS Certificates to satisfy the RES requirement. The Company continues to  
8           reserve the right to not award RES pricing in all SOS competitive solicitations. Because  
9           of the amount of New RECs expected to be acquired from the Long Term Renewable  
10          Contracts, the Company may elect not to award RES pricing in a SOS solicitation.

11          Accordingly, the Company proposes to continue to request separate pricing from FRS  
12          bidders to accept the RES obligation for the period served by the SOS contract. The  
13          Company will evaluate the RES pricing provided by the winning SOS bidders by  
14          comparing it to available REC market prices. If the pricing provided by the winning SOS  
15          supplier or suppliers is at or less than the available market prices, then the SOS supplier  
16          will also be contracted to provide the RECs necessary to satisfy the RES obligation. If  
17          the bid pricing is higher than the available market pricing or if market prices are not  
18          available for comparison, then the Company will not include the RES obligation with the  
19          SOS supply.

1 For FRS competitive solicitations that span multiple years, the Company will continue to  
2 only evaluate the bidders' RES pricing for the first year. This process was first approved  
3 by the PUC in the 2012 RES Procurement Plan.

4 The Company proposes to procure the remaining RECs required to meet its RES  
5 obligations through a series of standalone RFPs issued by the Company. This may  
6 include any shortfall in New RECs and the RECs necessary to satisfy the Existing  
7 obligations (Existing RECs). Currently there is an ample supply of Existing RECs and  
8 this is not anticipated to change in the future. The NEPOOL-GIS trading period for 2016  
9 RECs will not begin until July 15, 2016 and will conclude June 15, 2017. Thus, there is  
10 sufficient time for the Company to procure these RECs. The Company may also evaluate  
11 unsolicited offers from brokers or other parties for the sale of RECs, if the offers are at or  
12 less than the available market pricing.

13 **Q. Will the New RECs obtained under the Long Term Renewable Contracts satisfy the**  
14 **Company's 2016 RES requirements?**

15 A. The Company analyzed its New RES requirement and how it might be met by RECs  
16 obtained under the Long Term Renewable Contracts. This analysis is shown in Schedule  
17 7 on the graph named "RES Requirement for The Narragansett Electric Company and  
18 Forecast of New RECs supplied under Long Term Renewable Contracts." In its analysis,  
19 the Company made various assumptions regarding its Long Term Renewable Contracts  
20 including commercial operation dates, project size, output, and contract capacity. The

1 graph shows that the forecasted output of New RECs from the Long Term Renewable  
2 Contracts will meet most of the Company's New RES requirement through 2017, and  
3 thereafter will likely exceed the obligation.

4 To the extent that the underlying assumptions in the Company's analysis were to change,  
5 such that New RECs from the Long Term Renewable Contracts would be generated  
6 sooner than forecasted, the Company would propose that any excess New RECs beyond  
7 the RES requirements be "banked" for future obligations or sold into the market. Based  
8 on current assumptions, in 2018 the Company anticipates that the New RECs obtained  
9 from the Long Term Renewable Contracts will exceed the RES obligation as well as the  
10 banking allowance. Therefore, it will be necessary to sell the excess New RECs in the  
11 market. The Company continues to propose to optimize the sale price for the New RECs  
12 by issuing Request for Bids or by engaging a third party to broker the sale. The  
13 Company proposes to credit these revenues from the sale of the New RECs to delivery  
14 customers through the LTC Recovery Factor reconciliation.

15 **VIII. Response to John Farley's Testimony**

16 **Q. The testimony of witness John Farley, submitted in Docket No. 4393 on behalf of**  
17 **then-Lieutenant Governor-Elect Daniel J. McKee, has a number of observations**  
18 **and comments. Please outline your response to his testimony.**

19 **A.** Mr. Farley's testimony covered the following topics, and I will address them in this  
20 order:

- 1           1. National Grid's actions in upstate New York in the winter of 2013-14;
- 2           2. Comparison of the Company's SOS procurement methods and rates to those of
- 3           Pascoag Utility District (Pascoag);
- 4           3. Analysis of the Company's SOS procurement process and rate-setting activities;
- 5           and
- 6           4. Recommendations for future SOS procurements.

7   **Q.   Regarding Mr. Farley's observations and comments on National Grid's actions in**  
8   **upstate New York, do you have any clarifications or corrections?**

9   A.   Yes. I would like to point out that there are several distinctions between Rhode Island and  
10   upstate New York electric commodity rates that need to be recognized before attempting  
11   any comparison. First, in New York, electric commodity rates are set monthly for  
12   residential and small commercial customers. This monthly change in rates sends a strong  
13   price signal to customers, helps encourage energy efficiency measures, and is an  
14   important component of the retail choice framework within New York State. Second, as  
15   part of this clear monthly price signal, a certain amount of exposure to the spot market is  
16   designed for the supply portfolio and the resulting commodity rates. This designed level  
17   of spot market purchases in New York contrasts greatly with the smaller 10% spot market  
18   component in Rhode Island. To be clear, Rhode Island has 90% of its SOS supply  
19   contracts locked in before the start of the rate period, protecting its customers from  
20   volatile market movements, such as the \$871.85 per MWh Day Ahead energy spot prices

1           seen in the Rhode Island load zone on January 23, 2014. Further, the six-month SOS rate  
2           structure in Rhode Island is distinctly different from New York's, since it insulates SOS  
3           residential and commercial customers from month-to-month price changes; rather, it  
4           provides a seasonal price signal as it shifts between the Winter and Summer periods.

5           On page 36 of Mr. Farley's testimony, it is stated that: "They took action to change their  
6           hedging strategy, and now prices are coming down by 3% to 9% in New York this  
7           winter." The change in the New York hedging strategy is not the reason why wholesale  
8           prices or retail rates are decreasing this winter. Hedging is locking in contract prices; in a  
9           rising market, the hedges will be locked in at higher levels. The purpose of hedging is to  
10          mitigate volatility, not to time the market. In its November 3, 2014 New York press  
11          release, National Grid was comparing projected customer typical bills to last winter's  
12          typical bills, with the assumption of more typical weather for this winter. The main  
13          driver for the projected 3% to 9% decrease in typical bills was a decrease in forecasted  
14          Winter 2014-15 wholesale electric prices in upstate New York from the actual prices  
15          experienced in the Winter 2013-14.

16   **Q.    How did the Company's SOS rates compare to other utilities?**

17    A.    It is most accurate to compare SOS rates to seasonal Provider of Last Resort (POLR)  
18          rates of other utilities within the ISO-NE region. Also, it is appropriate to compare SOS  
19          rates to other regulated investor-owned utilities that procure under similar frameworks of

1 retail access without legacy entitlements. The following table compares the commodity  
2 rates of the Company to other utilities within the New England region:

<b>RESIDENTIAL COMMODITY RATES</b>		
<b>Company / State</b>	<b>Term</b>	<b>Rate (cents per kWh)</b>
<b>Rhode Island</b>		
The Narragansett Electric Company	January to June 2015	12.705
<b>Connecticut</b>		
Connecticut Light & Power	January to June 2015	12.629
The United Illuminating Company	January to June 2015	13.3108
<b>Massachusetts</b>		
NSTAR Electric Company	January to June 2015	15.046
Western Massachusetts Electric Company	January to June 2015	14.228
Massachusetts Electric Company	November 2014 to April 2015	16.273
Fitchburg Gas and Electric Light Company	December 2014 to May 2015	15.544
<b>New Hampshire</b>		
Unitil Energy Systems, Inc.	December 2014 to May 2015	15.544
Liberty Utilities	November 2014 to April 2015	15.487

3

<b>SMALL COMMERCIAL COMMODITY RATES</b>		
<b>Company / State</b>	<b>Term</b>	<b>Rate (cents per kWh)</b>
<b>Rhode Island</b>		
The Narragansett Electric Company	January to June 2015	13.375
<b>Connecticut</b>		
Connecticut Light & Power	January to June 2015	12.139
The United Illuminating Company	January to June 2015	12.7618
<b>Massachusetts</b>		
NSTAR Electric Company	January to June 2015	14.501
Western Massachusetts Electric Company	January to June 2015	14.431
Massachusetts Electric Company	November 2014 to April 2015	15.228
Fitchburg Gas and Electric Light Company (G1)	December 2014 to May 2015	14.328
Fitchburg Gas and Electric Light Company (G2)	December 2014 to May 2015	15.192
<b>New Hampshire</b>		
Unitil Energy Systems, Inc.	December 2014 to May 2015	15.265
Liberty Utilities	November 2014 to April 2015	15.487

1 The Company's rates in the table above are its originally filed SOS rates from its  
2 November 19, 2014 filing and include RES charges. It can be noted from this table that  
3 the Company's proposed commodity rates are among the lowest of the group, and that  
4 the rates generally reflect the higher cost of power within the New England region.

5 **Q. To support his conclusions regarding the Company's procurement plan, Mr. Farley**  
6 **compares the Company's SOS rates to those of Pascoag. What is your response to**  
7 **this rate comparison?**

8 A. Unfortunately, Mr. Farley's comparison is faulty since it does not consider all related  
9 commodity costs, and thus results in an incorrect conclusion. To explain, I will present a  
10 hypothetical scenario, using unit prices of \$/MWh. Utility "A" purchases power for \$30  
11 and incurs an additional \$20 in fees and transmission costs related to those power  
12 purchases. Thus Utility A's customers pay \$50 in total for commodity service. In  
13 contrast, Utility "B" secures power for its customers for \$50 but does not incur any  
14 additional fees or transmission costs. A valid comparison of the utilities' rates would be  
15 the all-inclusive price of \$50 that is charged to the customers. A misleading comparison  
16 would be to compare the \$30 power cost for the Utility A and the \$50 power cost for  
17 Utility B because it ignores the additional costs resulting from the procurement.

18 While this scenario is simplistic, it is useful to explain the faulty comparison presented in  
19 Mr. Farley's testimony. Narragansett and Pascoag's SOS rates should not be directly  
20 compared because Pascoag's SOS rates do not include additional costs that result from its

1 procurement activities. A valid comparison would be an all-inclusive (or All-In) cost that  
2 includes these additional fees and incremental transmission costs related to commodity  
3 procurement. Unfortunately, Mr. Farley used an incomplete and unequal comparison  
4 with a municipality as the basis for his critique of the Company's procurement activities,  
5 rather than an appropriate comparison with an investor-owned utility.

6 **Q. Please describe the SOS rate differences between Pascoag and the Company, using**  
7 **an appropriate comparison method.**

8 A. Both Narragansett and Pascoag SOS customers are charged a SOS rate, a transmission  
9 rate, and a transition rate. For Narragansett, the SOS rate consists of FRS contracts and  
10 spot market purchases, the transmission rate consists of ISO-NE's tariff rates, and the  
11 transition rate consists of the recovery of sunk and ongoing costs associated with former  
12 generation investment and related contractual commitments that were not recovered from  
13 third parties through the sale of those investments. For Pascoag, the SOS rate consists of  
14 inexpensive entitlement power and other procurement costs, the transmission rate  
15 consists of the ISO-NE's tariff rates *plus* the costs to move the purchased power from  
16 New York and New Hampshire to Rhode Island, and the transition rate consists of fees  
17 paid to the Massachusetts Municipal Wholesale Electric Company (MMWEC).  
18 Pascoag's tariff defines transition charges as the cost of purchases from MMWEC for the  
19 Seabrook and Hydro Quebec Contract, less any transmission costs. Because these extra  
20 transmission and transition charges are related to procurement activities, they should be

1 added to the SOS costs to create an All-In cost to perform any rate comparison between  
2 the utilities.

3 Below is a table comparing Narragansett's Residential and Commercial Groups' rates<sup>1</sup> to  
4 Pascoag customers' rates<sup>2</sup> beginning January 1, 2015 (rates are in cents per kWh).

	Residential	Commercial	Pascoag
Standard Offer	10.248	11.659	6.733
Transmission	2.221	2.003	3.313
Transition	0.096	0.096	1.141
All-In	12.565	13.758	11.187

5  
6 Pascoag's transmission charge is 1.092 cents per kWh (or 49%) higher than the  
7 Residential Group's and \$1.310 per kWh (or 65%) higher than the Commercial Group's.  
8 Because both companies pay the same ISO-NE transmission rates, it is reasonable to  
9 assume that these differences in transmission costs are due to Pascoag's contracts with  
10 resources located outside of Rhode Island. In addition, Pascoag's transition rates are  
11 \$1.045 per kWh (or ten times) greater than both the Residential and Commercial  
12 Groups'. Once the full costs of Standard Offer are summed together, a valid comparison  
13 can be made. Pascoag's rates are 11% lower than the Residential Group and 19% lower  
14 than the Commercial Group for the period starting January 1, 2015.

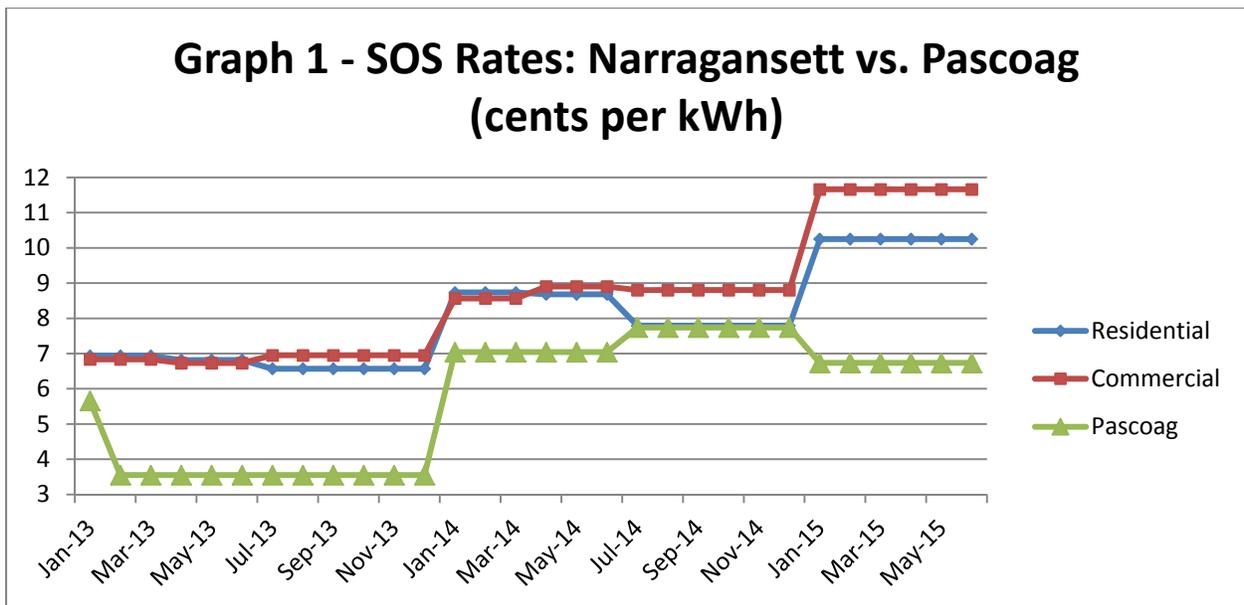
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<sup>1</sup> Residential Group SOS rate is for the period January to December 2015. Commercial Group SOS rate is for the period January to June 2015. National Grid's transmission and transition rates are those in effect for the April 2014 to March 2015 period.

<sup>2</sup> Pascoag Addendum Filing dated November 21, 2014 in RIPUC Docket No. 4529.

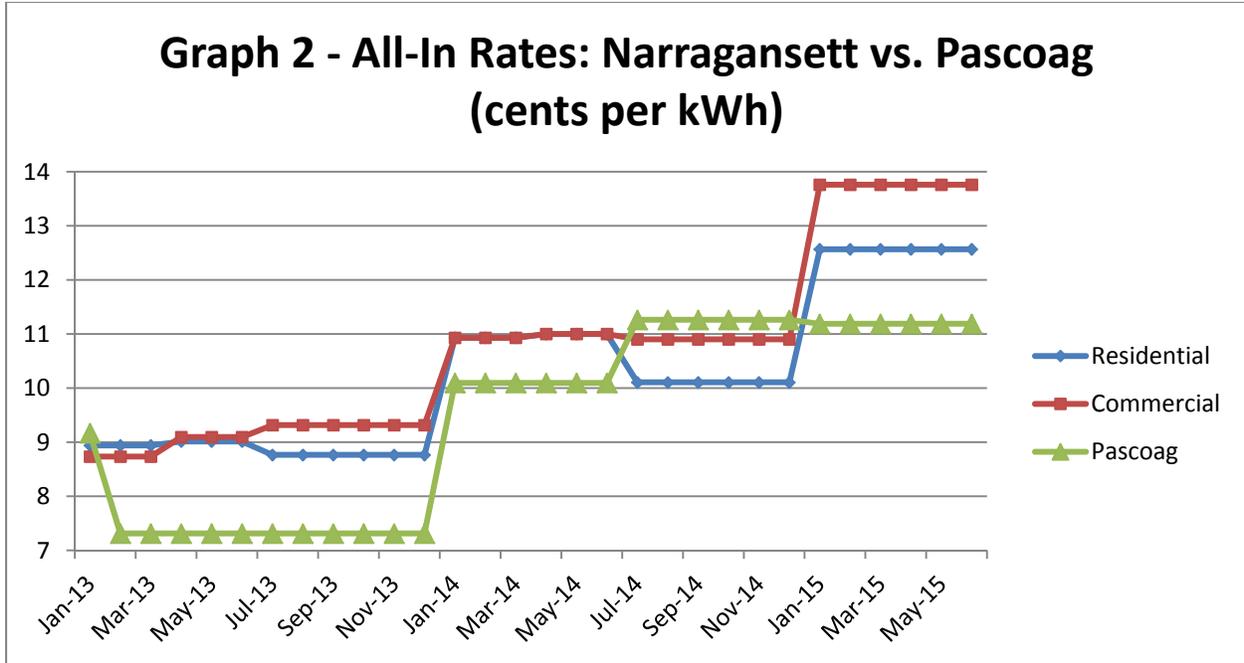
1 **Q. Mr. Farley provided a graph comparing SOS rates. How does a graph of All-In**  
2 **rates compare to a graph of only SOS rates?**

3 A. Below, Graph 1 shows Narragansett's Residential and Commercial SOS rates to  
4 Pascoag's, which is similar to the graph Mr. Farley presented in his testimony on page  
5 26. This is not a valid comparison, for the reasons presented above.



6

7 However, Graph 2 below is a proper comparison of the All-In (SOS, transmission, and  
8 transition) rates of the Company's Residential and Commercial rates to Pascoag's. It can  
9 be seen that Pascoag's All-In rates are much closer to Narragansett's.

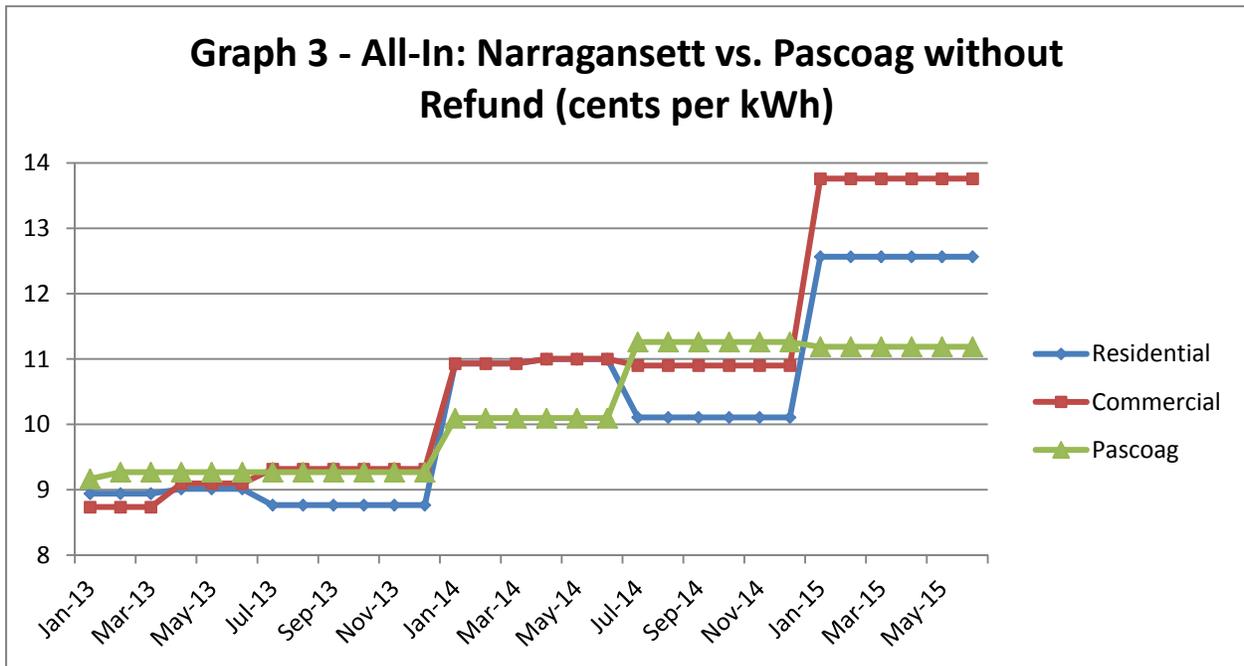


1

2 **Q. The All-In rate for Pascoag is sometimes lower than for Narragansett. Please**  
 3 **explain.**

4 A. The All-In rate comparison is a more fair approach to analyzing SOS rates. However,  
 5 Mr. Farley neglects to mention in his testimony that certain adjustments for over-  
 6 collection were applied to Pascoag rates that make them appear relatively lower. In a  
 7 Memorandum from the Division in PUC Docket 4454, it is stated that Pascoag’s “2013  
 8 standard offer, transmission, and transition rates are an anomaly, unusually low due to the  
 9 large over-collection” of \$696,935 from 2012 and a refund of \$202,100 that was placed  
 10 in a rate stabilization fund in 2011, which was funded from an over-collection in 2010.

1 The total 2013 refund was \$899,035<sup>3</sup>. Pascoag’s estimated SOS load for 2013 was  
 2 45,931 MWh. Because of over-collection in prior years, Pascoag’s 2013 rates were  
 3 lowered by approximately 1.96 cents per kWh. Pascoag’s published All-In rate of 7.31  
 4 cents per kWh was lowered from 9.269 cents per kWh, a 21% decrease. If Pascoag’s  
 5 rates were not lowered by this refund, its 2013 All-In rate would exceed Narragansett’s  
 6 rate for the Residential Group and sometimes exceed the rate for the Commercial Group.  
 7 Below, Graph 3 “All-In: Narragansett vs. Pascoag” has been updated to reflect what  
 8 Pascoag’s All-In rates would have been without this refund.



<sup>3</sup> Docket No. 4369 - Pascoag Utility District - Annual Reconciliation Tariff Filing of the Standard Offer Service. Rate, Transition Charge and Transmission Charge, filed 11/7/12. Updated testimony and exhibits of Judith R. Allaire.

1 In 2014, Pascoag had to make a mid-year adjustment to its SOS, transmission, and  
2 transition rates as a result of high power costs from January through March 2014 (which  
3 the Company was able to avoid using its procurement strategy of FRS contracts).

4 Basically, its rates were set too low and had to be increased. Pascoag's July through  
5 December 2014 All-In rates were higher than Narragansett. If rates were compared for  
6 the entire year, Narragansett's rates for the Residential Group were lower in 2014 and the  
7 Commercial Group was slightly higher. Pascoag's load-weighted average 2014 All-In  
8 rate was 10.683 cents per kWh<sup>4</sup>. Narragansett's Residential Group's load-weighted  
9 average 2014 All-In rate was lower at 10.517 cents per kWh and the Commercial  
10 Group's load-weighted 2014 All-In rate was 10.930 cents per kWh<sup>5</sup>.

11 For 2015, Narragansett's SOS rates for the July to December period may be reset lower  
12 than the current level, based on the recent procurement of lower-priced contracts.

13 **Q. Will there be future differences between Pascoag and Narragansett rates?**

14 A. This is possible, which is why it is important to understand and include all rate  
15 components before making comparisons between utilities. For example, it is possible  
16 that Narragansett's RES rates may be included in SOS rates in the future. If this occurs,  
17 this adjustment would have to be made if comparisons are made with Pascoag because  
18 Pascoag is not subject to RES.

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<sup>4</sup> Calculated with the Estimated Sales for 2014. RIPUC Docket No. 4454. Addendum Filing. Schedule F. Row 112.

<sup>5</sup> Calculated with the projected monthly SOS kWh included in the Company's November 21, 2013 and May 27, 2014 proposed SOS rate filings.

1 **Q. Mr. Farley also highlights several transactions that Pascoag has executed, such as**  
2 **the TransCanada Power Marketing LTD (TransCanada) transaction. Is this**  
3 **transaction comparable to Narragansett's FRS contracts?**

4 A. No, the TransCanada transaction is not comparable because it only covers a portion of the  
5 commodity costs and has several contractual limitations, both of which leave Pascoag  
6 customers exposed to market price risks. Mr. Farley cites a 7.03 cents per kWh (or  
7 \$70.30 per MWh) load-following, energy-only transaction between Pascoag and  
8 TransCanada for 42% of its requirements for three years. He states that it will protect  
9 Pascoag from winter volatility and is an example of Pascoag's adaptation to market  
10 fluctuations. He does not, however, explain that a significant part of customers' costs are  
11 unprotected.

12 Narragansett has executed load-following (i.e. FRS) transactions for several years  
13 because they are excellent hedges against all market volatility, including migration risks  
14 that Pascoag does not have to insure against. The Company's FRS transactions are  
15 significantly different from the TransCanada transaction because they include ancillary  
16 services and capacity costs while the TransCanada transaction includes neither.

17 Therefore the value of the contracts is significantly different. To assess the difference in  
18 the contracts' values, capacity costs can be estimated. Narragansett's Commercial Group  
19 has an estimated 2015 capacity cost of \$12.07 per MWh<sup>6</sup>. Narragansett's 2015

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<sup>6</sup> The capacity cost estimate in \$/MWh is calculated as the estimated Capacity Load Obligation multiplied by the Capacity Clearing Price from the Forward Capacity Auction results, divided by estimated SOS customer group load.

1 Residential Group has an estimated 2015 capacity cost of \$13.14 per MWh. These  
2 capacity costs, which Narragansett has locked in, are representative of the incremental  
3 costs for Pascoag's customers. Contrary to Mr. Farley's conclusion, Pascoag's customers  
4 are exposed to capacity market prices for the three-year duration of this contract.

5 Capacity costs change each capacity commitment period (June through May). Pascoag's  
6 customers will not know the actual costs until after they have been incurred.

7 Ancillary services charges from the ISO-NE historically range between \$2 and \$3 per  
8 MWh. However, these costs can increase unexpectedly, such as in February 2013 when  
9 Real-Time Net Commitment-Period Compensation (NCPC) increased over \$8 per MWh  
10 for Narragansett SOS customers. ISO-NE's Winter Reliability Programs have also been  
11 included in ancillary services costs. Narragansett's SOS customers are insulated from  
12 any unexpected price spikes in ancillaries since the FRS suppliers bear the responsibility  
13 of these charges.

14 **Q. Are you able to provide a more accurate comparison method?**

15 A. In an attempt to make an apples-to-apples comparison, one can add Narragansett's  
16 estimated capacity and ancillaries to the TransCanada energy contract price in attempt to  
17 replicate an FRS price. Pascoag's FRS-equivalent price would then be \$85.94 (70.30  
18 Energy + 13.14 Capacity + 2.50 Ancillary Services) for the Residential Group and \$84.87  
19 (70.30 Energy + 12.07 Capacity + 2.50 Ancillary Services) for the Commercial Group.  
20 In its November 2014 solicitation, Narragansett procured obligations for 2015 for the

1 Residential and Commercial Groups. For calendar year 2015 the estimated Residential  
2 price is \$103.63 per MWh and the estimated Commercial price is \$99.21 per MWh. The  
3 TransCanada transaction with estimated capacity and ancillary services costs is  
4 approximately 14-17% lower than Narragansett's costs.

5 The lower TransCanada price is partly due its inclusion of lower futures prices from  
6 calendar years 2016 and 2017 in its price. This lowering of overall price due to including  
7 future years is seen in Narragansett's procurement plan. In the November 2014 RFP  
8 Narragansett also procured for calendar year 2016 for Residential customers. Blending  
9 its 2015 and 2016 transactions together, Narragansett's price decreases to \$98.97 per  
10 MWh. Pascoag's FRS-equivalent residential price of \$85.94 per MWh would be 13%  
11 lower than Narragansett's. This is a simplistic comparison because 2016 capacity costs  
12 will be different from 2015 but it illustrates the benefit of blending a calendar price with a  
13 lower-priced future year.

14 Also, the lower costs of this contract are partly the result of market movement. As Mr.  
15 Farley mentioned, this contract was procured in April 2014, which had lower prices than  
16 November 2014. 2015 prices in April 2014 were approximately 10% lower than 2015  
17 prices in November 2014.

18 In addition, the TransCanada transaction has contractual limitations and does not provide  
19 the same volume protection as would a Narragansett FRS transaction. The Company's  
20 FRS transactions have no restrictions and allow any customers of any size to switch back

1 to SOS, whereas TransCanada is not responsible for a customer over 1 MW that returns  
2 to SOS. Narragansett's customers can use as little or as much power in a month for the  
3 same price. The TransCanada transaction, however, has a "Load Cap" of 14 MW,  
4 meaning that TransCanada is not responsible for any power in any hour that exceeds 14  
5 MW.

6 Finally, the load shape served by the TransCanada transaction is most likely different  
7 from Narragansett's load shape. Narragansett's FRS transaction includes the usage for  
8 each hour of each day for the period based on the customer group's usage. For the  
9 TransCanada transaction, the load served is the amount above the firm entitlements from  
10 Pascoag's other contracts. This means that the load served could differ from the load  
11 shape of Narragansett's customers. Load shape determines how much usage is in on  
12 peak hours and off peak hours during the transaction. This impacts overall costs because  
13 on peak prices are more expensive than off peak. It is possible that the TransCanada load  
14 shape consists of more off peak usage than Narragansett's load shapes. This could occur  
15 if the entitlements are predominantly on peak.

16 **Q. What is your assessment of Pascoag's procurement strategy?**

17 A. Pascoag's procurement strategy is what the Company refers to as a managed portfolio  
18 approach. In the 2011 Standard Offer Service Procurement Plan (the 2011 SOS Plan)  
19 (Docket No. 4041), the Company, the Division and the PUC evaluated several different  
20 procurement approaches in order to decide which would work best for customers

1 receiving SOS. The PUC decided that the Company's proposal of a laddered and layered  
2 portfolio of full requirement service contracts would best serve SOS customers,  
3 protecting them against market price volatility and migration risk. In contrast, with its  
4 entitlements to inexpensive power from the Seabrook nuclear facility and hydroelectric  
5 units in New York (from the New York Power Authority (NYPA)), in addition to the lack  
6 of migration from SOS, Pascoag's customers are best served by a managed portfolio  
7 approach.

8 **Q. What are some of the differences in the approaches?**

9 A. As described in the 2011 SOS Plan, a managed portfolio may result in lower costs but  
10 have higher volatility and larger reconciliations. There are several examples of this in  
11 Pascoag's portfolio. First, a large refund on the order of 1.96 cents per kWh is very  
12 unlikely to occur with a FRS portfolio because FRS best matches the underlying contract  
13 costs with the rates, thereby minimizing over- or under-recovery of commodity costs and  
14 mitigating rate impacts of large reconciliations. Another example of volatility in a  
15 managed portfolio occurred during the winter of 2013-14. Michael R. Kirkwood testified  
16 in the Year-End Filing for Standard Offer Service, Transmission, and Transition  
17 Reconciliation in Docket No. 4529 that Pascoag experienced significant volatility due to  
18 spot market exposure, which necessitated in Pascoag's request to the PUC for rate relief.  
19 In addition, these NYPA transactions have higher transmission costs during winter  
20 months, another example of the volatility in a managed portfolio. In her testimony,

1 Judith R. Allaire indicated that there were large increases in transmission costs in the  
2 winter of 2014 due to Pascoag's NYPA power contracts. High transmission costs for the  
3 NYPA contracts in the first quarter of 2014 resulted in an average cost of over 8 cents per  
4 kWh compared to less than 2 cents per kWh in September. The NYPA transactions result  
5 in further volatility because often the interruptible power supply is inconsistent. In the  
6 first quarter of 2014, Pascoag received only 612 interruptible MWh from its two NYPA  
7 entitlements. This is significantly less than the 1,673 interruptible MWh delivered in the  
8 second quarter and the 2,051 MWh delivered in the third quarter. There was a shortage  
9 of interruptible MWh in 2013 as well. In Docket No. 4454 - Pascoag Utility District -  
10 2014 Annual Reconciliation Filing of the Standard Offer Service Rate, Transmission  
11 Charge and Transmission Charge (filed 11/1/13), Judith Allaire stated that Pascoag  
12 received only 1,433 interruptible MWh year-to-date, as compared to 5,692 interruptible  
13 MWh for the same period the previous year.

14 Also, Mr. Farley cites a virtual gas-fired unit transaction (Virtual RISE), which is  
15 essentially a daily heat rate option. A heat rate option converts a gas price into an  
16 equivalent power price. This type of transaction can result in high electric prices when  
17 natural gas prices are high, such as during the winter when gas pipeline constraints  
18 increase natural gas prices. This is an additional example of volatility in procurement  
19 costs during winter months. A heat rate contract will convert the gas price into an  
20 equivalent power price that may be lower than spot market prices, but still high compared

1 to non-winter month prices. In Docket No. 4454, Mr. Kirkland testified that the Virtual  
2 RISE contract, which Mr. Farley cited, did not perform as expected, because the call  
3 option rate was higher than previously estimated. Such a situation could arise on a gas-  
4 constrained day when a non-gas fuel generator (such as oil or coal) sets the Locational  
5 Marginal Price (LMP) because its fuel is cheaper than the price of gas. In such a  
6 situation, it would be less expensive for Pascoag to not exercise its option and purchase  
7 directly in the spot market from ISO-NE. Exercising the option when gas prices are  
8 higher than other fuel sources would create an electric price that is higher than the LMP  
9 clearing price.

10 Pascoag's underlying procurement portfolio is more volatile and susceptible to rate  
11 shocks than the Company's procurement approach, but the Company's seasonal rate  
12 structure may make it appear more volatile. Pascoag's SOS, transmission, and transition  
13 rates are set for a calendar year and mask the seasonal nature of wholesale power prices.  
14 This annual pricing structure has an impact on the retail and wholesale markets, as  
15 discussed in the Company's Responses to the PUC's Third Set of Data Requests in  
16 Docket No. 4393. Annual rates that are created by lowering winter rates via increasing  
17 summer rates may significantly affect both the wholesale and retail markets. Customer  
18 migration may increase as customers switch to SOS in the winter and then switch back to  
19 NPPs in the summer. This increase in migration may have a detrimental impact on future  
20 SOS solicitations because wholesale suppliers may avoid participating in SOS RFPs or

1           may add increased risk premiums to their contract prices. Thus, higher contract prices  
2           would further increase future rates for SOS.

3           During Docket No. 4149 for the 2011 SOS Plan, it was determined that a managed  
4           portfolio approach, similar to Pascoag's, could incur lower costs but with higher  
5           volatility. The Company and the PUC agreed, after evaluating all options, that the FRS  
6           portfolio structure best fit SOS customers' needs.

7           The PUC noted in Order 20125 that: "a managed portfolio approach... could lead to  
8           mass migration and substantial costs borne by National Grid from unsubscribed "take or  
9           pay" electricity, which costs would ultimately be recovered from a smaller class of  
10          standard offer ratepayers. This outcome poses a real concern about equity and rate  
11          impacts. Like the stranded costs that ratepayers were required to pay at the onset of retail  
12          competition, a mass migration from standard offer service would also result in significant  
13          incremental costs being passed on to ratepayers." The Company considers this  
14          conclusion still valid and that the FRS procurement method is best for SOS customers.

15   **Q.    Please summarize the conclusion of your Pascoag and Narragansett analysis.**

16    A.    Pascoag and Narragansett customers have similar All-In rates over the last three years,  
17          but Narragansett's procurement process better protects its customers from volatility and  
18          risk. Narragansett's load-following transactions shifts more risk, such as migration and  
19          load, to its suppliers than does Pascoag's load-following transaction with TransCanada.  
20          The Company's FRS transactions include capacity and ancillary services, further

1 insulating its customers from price shocks, whereas Pascoag customer are exposed to  
2 these market components. Narragansett's FRS portfolio does not generate significant  
3 deferrals that could impact customers through future reconciliations. Pascoag's managed  
4 portfolio approach could result in significant reconciliations such as the recent large over-  
5 recovery. Furthermore, Pascoag's procurement portfolio appears particularly sensitive to  
6 winter months' pricing. The Virtual RISE contract price is determined by volatile gas  
7 prices, which typically spike in winter months. Finally, Pascoag's transactions with  
8 NYPA occasionally have had shortages of interruptible power in winter months, as well  
9 as significantly increased transmission costs.

10 The Company's procurement plan results in lower volatility than Pascoag's, and  
11 Narragansett's seasonal SOS rate structure reflects a market signal that encourages  
12 customers to use energy efficiently, while preserving retail competition in Rhode Island.

13 **Q. Please respond to Mr. Farley's observations regarding changes to the Company's**  
14 **annual procurement plans.**

15 A. Over the last several years, the Company has proposed changes to its annual procurement  
16 plans, as needed. While the Company's SOS procurement plans are designed with a  
17 certain level of flexibility to meet market conditions while maintaining transparency, the  
18 Company designed them to perform in any price environment, whether increasing, flat, or  
19 decreasing. The current form of the procurement plan was approved in the 2011 SOS  
20 Plan as described in Section III of my testimony, and it continues to protect SOS

1 customers from market volatility and reconciliation impacts. The laddering and varying  
2 lengths of the FRS contracts allows for mitigation of price volatility because the  
3 individual contracts are procured at different times and are dollar-cost averaged to create  
4 a blended supply rate. During a decreasing electric prices market, the lower-cost most  
5 recent transactions will help offset the higher-cost older transactions. Conversely, in an  
6 increasing electric prices market, the higher-cost most recent transactions will be partially  
7 offset by the lower-cost older transactions.

8 As Mr. Farley noted in his testimony, New England is expected to remain pipeline-  
9 constrained through 2020. The Company also expects winter prices to remain high as  
10 compared to summer prices during this pipeline-constrained period. The Company's  
11 laddered and layered procurement plan could be expected to procure at similar prices  
12 over the next several years until the winter natural gas situation is resolved.

13 Because it is effective in mitigating price volatility in all market environments, the  
14 Company has chosen not to propose major changes to its laddered and layered FRS  
15 procurement approach. The Company performs this procurement review annually and  
16 submits its proposal to the PUC on March 1 of each year.

17 **Q. Please describe the changes the Company has proposed to its procurement**  
18 **approach in prior years as part of its annual review and continuous monitoring.**

1 A. In the 2011 SOS Plan, the Company converted the Large and Small Customer Groups to  
2 three groups: Residential, Commercial, and Industrial. Grouping customers by similar  
3 characteristics minimized the risk premiums embedded in the FRS prices.

4 Also, in the 2013 SOS Procurement Plan (Docket No. 4315), the Company amended its  
5 procurement plan in response to the ISO-NE's Winter Reliability Program. The  
6 Company shifted its 2013 third quarter procurement to the fourth quarter. It also  
7 amended the duration of two transactions for Industrial Group. These actions removed  
8 the uncertainty surrounding the program's costs, which minimized costs and risk  
9 premiums to our customers.

10 In addition, in the 2015 SOS Plan, the Company split the Industrial bid block into two  
11 identical 50% blocks and applied this change to the 2014 SOS Plan. The smaller-sized  
12 bid blocks were designed to benefit pricing and supplier diversity. The smaller bid  
13 blocks may also increase bidder participation.

14 Also, the Company proposed a contingency plans in the 2015 SOS Plan, which were also  
15 applied to the 2014 SOS Plan. These contingency plans address the possible impact to an  
16 SOS competitive solicitation due to inadequate bidder participation or a significant  
17 market event that affects the competitiveness of pricing or bidders. Increasing  
18 competitiveness of pricing and bidders would result in lower customer prices.

1           Lastly, the Company proposed in its 2015 SOS Plan to post on its website the average  
2           winning price for each bid block within 90 days of the RFP's final bid date, in order to  
3           increase price transparency without jeopardizing the competitiveness of the solicitations.  
4           The Company's proposal applied retroactively to previously approved SOS procurement  
5           plans. Price transparency provides a supplier the ability to determine if its bid is  
6           competitive in the solicitations. The supplier may reevaluate its bid process, risk  
7           premiums, and assumptions that are included in its bids, which may result in lower  
8           pricing.

9           In summary, the Company has proposed changes when necessary for the benefit of SOS  
10          customers, and has designed the necessary flexibility into the repeating procurement  
11          schedules that could be modified in future SOS filings as market conditions change, as  
12          evident in the proposed 2016 SOS Plan, as detailed in Section IV above.

13   **Q.    Mr. Farley provides a number of recommendations to the SOS procurement plan.**  
14           **Please provide your evaluation of each recommendation.**

- 15   A.    I shall respond to each of Mr. Farley's recommendations, which include:
- 16       a.    FRS contracts.
  - 17       b.    A structured portfolio approach.
  - 18       c.    A different portfolio strategy for each class.
  - 19       d.    Long term contracts for portions of the residential and commercial class loads.
  - 20       e.    A requirement that the winning bidders secure firm fuel supply for all contracts.
  - 21       f.    Using the renewable procurement creatively to help mitigate price volatility in  
22          standard offer service.

- 1           g.       Establishing expected and minimum performance standards for the procurement  
2                    function, with incentives for performance above the expected standard, and  
3                    penalties for performance below the minimum standard.
- 4           h.       Taking an ownership position in a generating unit.
- 5           i.       Negotiating much longer long term contracts: perhaps up to 10 years.
- 6           j.       Identifying any legislative and regulatory changes that are needed to implement  
7                    the best-performing, most robust strategies.
- 8

9           As described above in Section III, the Company currently utilizes a structured portfolio of  
10           FRS contracts purchased over time for different quantities and durations to create a  
11           laddered and layered procurement. In contrast to Pascoag's TransCanada transaction for  
12           energy only, the Company's FRS transactions include capacity and ancillary services  
13           costs. The Company's transactions also limit risk to the customers by assigning all risks  
14           to the suppliers.

15           In addition, the Company has employed a different portfolio strategy for each customer  
16           group. By grouping customers with similar usage and migration characteristics together,  
17           the Company's procurement minimizes costs embedded in the price. As described in  
18           Section III above, tailoring the SOS supply portfolio for a given type of customer group  
19           provides the appropriate balance of price stability and the ability and willingness to  
20           respond to price signals to encourage efficient consumption, customer investment, and  
21           service decisions.

1           The Company employs several different transaction durations, including 24 months. The  
2           Company does not utilize longer FRS transactions because these longer-termed  
3           transactions have more risk, and therefore, higher risk premiums for customers. As the  
4           length of FRS transactions increase, quantities and prices are harder to forecast. The  
5           suppliers will therefore include additional risk premiums to protect them from these  
6           uncertainties in load and prices.

7           A requirement that the winning bidders secure firm fuel supply for all contracts would  
8           decrease bidder participation and increase costs for SOS customers. Some FRS suppliers  
9           do not own physical generation and would be disqualified from the RFP process by this  
10          requirement. And suppliers that have physical assets may prefer to hedge their  
11          obligations with financial transactions. Financial transactions provide more options to  
12          suppliers and can result in lower prices. SOS customers would be the only ones in New  
13          England subject to this kind of restriction and would most likely soon experience the  
14          highest costs in the region.

15          Mr. Farley suggests using renewable procurement creatively to help mitigate price  
16          volatility in SOS. Utilizing renewable power purchase agreements would shift the  
17          Company from a FRS portfolio to a managed portfolio. As discussed above, a managed  
18          portfolio often results in increased (not decreased) volatility. Furthermore, renewable  
19          energy often is intermittent and, when added to the portfolio, would result in more

1           volatility. Expected volume may not materialize and the Company could find itself  
2           overexposed to the spot market.

3           Mr. Farley suggests that the Company take an ownership position in a generating unit and  
4           to require the generator have firm fuel supply for the winter months. He reached the  
5           conclusion that this commitment for firm pipeline capacity would encourage pipelines to  
6           expand into New England sooner. However, this is unlikely to occur since the Rhode  
7           Island ISO-NE zone's load is approximately 7% of the ISO-NE total load. Currently,  
8           approximately two-thirds of Rhode Island customers are on SOS, which means that the  
9           SOS load is approximately 5% of regional load. Firm capacity pipeline commitments for  
10          this level of load most likely would not spur pipelines to expand faster. Rather it would  
11          most likely just result in increased costs for Rhode Island SOS customers.

12          The Company continues to work collaboratively to seek solutions to alleviate the lack of  
13          sufficient natural gas pipeline infrastructure in New England, which is driving electricity  
14          prices higher. This regional problem was recently noted by the PUC in the Decision in  
15          its written Order in Docket No. 4393 (issued February 23, 2015). To that end, National  
16          Grid announced on February 18, 2015 that it is joining as a co-developer of the Access  
17          Northeast pipeline project, which will help alleviate the regional constraint challenges by  
18          delivering, on peak days, up to 1 billion cubic feet of natural gas for electric generation  
19          markets. This project is projected to save New England electric customers an average of

1       \$1 billion a year during normal weather conditions, as reported by the project's  
2       consultant<sup>7</sup>.

3       Mr. Farley's suggestion of long-term contracts of up to ten years could prove to be very  
4       costly. As discussed above, long-term FRS contracts become riskier as the duration is  
5       extended; quantities and prices become harder to forecast and hedge. In addition, FRS  
6       contracts include capacity charges, and the Forward Capacity Market auctions are  
7       completed three years prior to the capacity period. Therefore, any FRS transaction longer  
8       than three years would include a portion of its obligation that has unknown capacity  
9       prices. Suppliers will most likely include the highest possible price as an estimate.  
10      Besides FRS transactions, there is the possibility of switching to financial transactions for  
11      the ten year period that Mr. Farley suggests, but this would introduce the risk of stranded  
12      costs burdening SOS customers. Introducing financial transactions transforms the  
13      procurement plan to a managed portfolio, which has many risks, as previously identified  
14      by the PUC and described above.

15   **Q.    Please comment on the recommendation of incentives as proposed by Mr. Farley.**

16   A.    The Company is properly motivated in that it acts as the POLR for its customers, and  
17       incurs and recovers the costs of SOS. The Company's procurement plans have been  
18       designed to minimize cost and volatility for its SOS customers. If the Company deviates  
19       from this approved plan, then it undermines the process of developing and executing the

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<sup>7</sup> <http://accessnortheastenergy.com/wp-content/uploads/2015/02/ICF-Report-on-Access-Northeast-Project.pdf>

1 procurement plan and the Company cannot expect to recover the costs incurred to  
2 provide SOS for its customers. This adherence to the approved plan that is designed to  
3 minimize cost and volatility is adequate motivation for the Company to ensure its cost  
4 recovery. The Company would be liable for transactions that violate the procurement  
5 plan and has a financial incentive not to do so.

6 **Q. Mr. Farley recommends that the Company' procurement plan should include a**  
7 **number of features. Please respond to his suggestions.**

8 A. Mr. Farley states that procurement plans should include the following features:

- 9 1. A risk management plan with careful consideration of hedging instruments.
- 10 2. The flexibility to procure power in the manner that best fits market conditions for a  
11 given period of time. This includes:
  - 12 a. The freedom to procure power any day of the year.
  - 13 b. Flexibility in the volumes procured.
  - 14 c. The ability to procure power for different contract lengths to fit the  
15 circumstances in the market.
  - 16 d. Innovations that could provide better prices and lower volatility.

17  
18 After an in-depth analysis in Docket No. 4149, the PUC approved the Company's  
19 proposal of FRS contracts as preferred hedging instruments. As stated earlier, the FRS  
20 transaction minimizes customers' exposure to volatility and rate shock. Of all possible  
21 transactions and procurement methods, it remains the most effective from a risk  
22 perspective.

1       The Company’s laddered and layered procurement plan dollar-cost averages its  
2       purchases. This procurement approach is much more prudent than attempting to “time the  
3       market.” Mr. Farley identifies market conditions as the motivation to execute at certain  
4       times. In contrast, the Company’s approach is always being able to procure, regardless of  
5       market conditions. The bid prices submitted in the RFP are significantly based on  
6       NYMEX electric futures prices. These bid prices reflect the market conditions expected  
7       for the time period and obligation and reflect fundamental conditions such as expected  
8       demand, weather, and expected supply. Over time, the fundamentals of the market may  
9       change, perhaps because weather forecasts change, and the resultant bid prices would  
10      change. But at the time of the RFP, the bid price reflects market conditions. An example  
11      from the Company’s history may illustrate the danger of attempting to “time the market.”  
12      The Company’s last procurement for the Winter 2014 period was made in November  
13      2013. In this RFP, the Company awarded the highest bids in a solicitation since 2010. If  
14      the Company had been instructed to reject these bids and instead procured power in the  
15      spot market, then a residential customer would have paid \$70 per MWh *more* for January  
16      2014 and over \$50 per MWh *more* for February and March 2014. The January spot  
17      market cost was over 50% higher than the winning bid price, the February spot market  
18      cost was over 45% higher than the winning bid price, and the March spot market cost was  
19      over 70% higher than the winning bid price. Rather than subject the Company’s  
20      customers to this potential rate shock, the Company continues to recommend the dollar-  
21      cost averaging of bids to compensate for changing market conditions. Under the 2016

1           SOS Plan, the Residential and Commercial Groups' SOS would be calculated from six  
2           individual price points.

3   **Q.    Can you explain why SOS rates are filed approximately six weeks prior to the rate**  
4   **period start?**

5   A.    National Grid's experience in Rhode Island, New Hampshire, and Massachusetts has  
6    been to file retail electric commodity rates approximately six weeks prior to the rate  
7    period start date, intended to provide sufficient notice to customers of upcoming electric  
8    supply rate changes in accordance with the requirements in each state. In Rhode Island,  
9    the Company is required to notify customers at least 30 days prior to the effective date of  
10   the rate change. The Company's final procurement for this rate period is typically two to  
11   three weeks prior to the 30 day notice deadline because there is a preference to include as  
12   recent market prices as possible in the SOS rates. This is especially true for the Industrial  
13   Group, which includes transactions from only one RFP and provides the greatest market  
14   signal of all the customer groups.

15   **Q.    Please comment on Mr. Farley's observations on the transparency of Pascoag's**  
16   **procurement activities as compared to the Company's.**

17   A.    In researching Pascoag's procurement activities, it became apparent to the Company that  
18    its managed portfolio, including its varying contracts and recovery mechanisms, is very  
19    complex. This complexity can lead to erroneous conclusions about its SOS rates, as  
20    discussed earlier in my testimony.

1 In contrast, the Company's procurement activities are transparent and clearly dictated by  
2 its procurement plans, which have been vetted and approved by the PUC. The Company  
3 conducts quarterly competitive solicitations on a predetermined basis. These solicitations  
4 are detailed in the procurement plans and posted on the Company's website. The  
5 contracts and solicitation documents are filed beforehand, and the Company adheres to  
6 them when implementing its procurement plan. The confidential results of the  
7 competitive solicitation are filed with the PUC and the Division soon after final bids.  
8 The average winning prices of the RFP are posted to the Company's website within 90  
9 days. The filing also includes a section titled "Description of Wholesale Market  
10 Conditions" which describes the regional market.

11 **Q. Why does the Company redact information included in its SOS rate filings?**

12 A. Narragansett's goal is to procure power in a least cost manner on behalf of its SOS  
13 customers. Its decision to redact information, while sometimes protecting supplier  
14 information, is done to benefit customers because it results in lower prices.

15 Redacting information promotes competition in the solicitation process while minimizing  
16 the risk included in supplier bids. Narragansett redacts the following items: number of  
17 bidders, Narragansett's proprietary bid price estimates, the bidders' names, the bidders'  
18 bid prices, the bidders' RES prices, the Company's RES estimates, estimated retail rates  
19 for periods with pending transactions, winning contract prices, and loss factors. The  
20 Company also files the winning suppliers' Master Power Agreements, if it has not done

1 so before, and redacts certain portions of this agreement dealing with credit and other  
2 sensitive counterparty information.

3 Each redaction is for the benefit of customers. Publishing this information would not  
4 provide any noticeable benefit, but it will harm the competitive process or may increase a  
5 supplier's risk. Increasing suppliers' risks is not beneficial to customers because it would  
6 result in additional risk premiums included in SOS bids or it may decrease bidder  
7 participation in the RFP. The confidential information is provided to the PUC and  
8 Division for review after each solicitation. The experienced staffs at the PUC and  
9 Division are able to fully evaluate the filings on behalf of SOS customers.

10 **Q. Please respond to Mr. Farley's recommendation that buying electricity should easy**  
11 **for customers.**

12 A. The Company agrees that the process of buying electric commodity should be simpler for  
13 its customers. Customers have less knowledge of purchasing electricity than they do of  
14 selecting other services such as phone plans. In addition to unfamiliarity with the various  
15 components and costs in the electricity market, it is often difficult to compare offers from  
16 various NPPs. The Company agrees with Mr. Farley that customers would benefit from a  
17 competitive supply market. The removal of the SOS billing adjustment, as proposed by  
18 the Company in this testimony, should help make the migration process easier for  
19 customers who select an NPP.

1 Many states have initiatives to make the customer migration process simpler and more  
2 transparent, using available technology. Mr. Farley provided the example of  
3 [www.newyorkpowertochoose.com](http://www.newyorkpowertochoose.com), which is administered by the New York State Public  
4 Service Commission. The Massachusetts Department of Public Utilities is currently  
5 facilitating a stakeholder process to develop a retail access website that it (or a vendor)  
6 will host. The State of Connecticut Public Utilities Regulatory Authority has created a  
7 website ([www.energizect.com](http://www.energizect.com)) for customers to access information on retail suppliers  
8 and to compare offerings. The PUC should consider all options, including hosting a  
9 shopping website, in order to promote customers' choices in choosing an energy supplier.

10 **Q. Please respond to Mr. Farley's suggestion that the Company publish indicative**  
11 **rates.**

12 A. The Company currently includes estimated SOS rates in its quarterly SOS rate filing for  
13 future periods with pending transactions. This information is provided to the PUC and  
14 Division. The Company does not oppose publishing this information but it may lead to  
15 confusion and misunderstandings for customers. For example, the Company has  
16 procured 35% of its obligation for the Residential obligation for the January to June 2016  
17 rate period. Customers may not realize that the indicative SOS rate published may  
18 change significantly once the remaining transactions are executed. A customer may  
19 choose a price from an NPP based on this incomplete indicative rate, and the final SOS  
20 rate could be lower than the indicative published rate.

1 **Q. Please respond to Mr. Farley’s recommendation for stakeholder intervention and**  
2 **participation in strategy setting and bid review.**

3 A. The Company is supportive of stakeholder intervention in the design of its SOS  
4 procurement plan, which occurs in Rhode Island on an annual basis. In recent years,  
5 various parties have been interveners in SOS procurement plans. In addition, the  
6 Company regularly consults with the Division on this annual plan review, as well as  
7 during the solicitation process if there is a unique situation, such as the ISO-NE Winter  
8 Reliability Program in 2013. Another example of this ongoing cooperation with the  
9 Division in its role of a stakeholder representing customer interests is the implementation  
10 of the approved contingency plans, in which consultation with the Division is critical.

11 Mr. Farley’s suggestion of stakeholder intervention in bid review is not feasible and  
12 would harm SOS customers. Electricity prices, like any commodity or trading market,  
13 can rapidly fluctuate in real time. The Company receives bids to its SOS solicitation at  
14 10:00 AM and awards the bids to suppliers within three hours. Because market prices  
15 fluctuate, suppliers include a risk premium to hold their bids firm for that time period. A  
16 bid review with stakeholders would extend the holding time beyond three hours. To  
17 compensate for this additional risk, suppliers would increase the risk premiums that are  
18 embedded in the SOS bids, which would result in higher SOS rates. In the 2011 SOS  
19 Plan the Company petitioned the PUC to approve the results of each RFP. The PUC did  
20 not approve this proposal because it did not “find any direct benefit from this process to

1           SOS ratepayers.” The RFP process itself, with multiple bidders striving to win bid  
2           blocks, results in the selection of the lowest cost price available for SOS customers. As  
3           long as the RFP is competitive, a stakeholder bid review is unnecessary and would only  
4           increase costs by extending the three hour period, thereby increasing rates for SOS  
5           customers.

6           It should be noted that Rhode Island has already established the appropriate level of  
7           transparency and accountability, since the Company is required submit all confidential  
8           bid information to the PUC as well as to the Division Staff, which acts as the advocate for  
9           SOS customers.

10   **Q.    Please respond to Mr. Farley’s suggestion that wholesale contract prices should be**  
11   **published as soon as possible.**

12   A.    The Company proposed in the 2015 SOS Plan that it post on its website the average  
13   winning price for each bid block within 90 days of the RFP’s final bid date to provide  
14   price transparency. Price transparency provides a supplier the ability to determine if its  
15   bid is competitive in the solicitation. Based on this feedback, the supplier may reevaluate  
16   its bid process, risk premiums, and assumptions that are included in its bids, which may  
17   result in lower pricing in the future. This information is available on the Company’s  
18   website.

19           However, the Company does not support the immediate release of the winning bid prices  
20           because it could result in increased customer costs. Suppliers that win awards often must

1 enter into offsetting transactions to hedge the obligation. This is not instantaneous and  
2 can take time, therefore immediately releasing prices is a risk to a supplier. If bid prices  
3 are published before a supplier could hedge its position, other traders now know that the  
4 supplier must execute its position or risk severe losses. These traders may take advantage  
5 of this information, which leads to increased costs for the supplier. To compensate,  
6 suppliers may add risk premiums to its SOS bids or simply decide to no longer participate  
7 in SOS solicitations. The final result is higher customer costs.

8 The current practice of publishing the average winning bids within 90 days after winning  
9 suppliers have hedged their positions provides a sufficient balance between price  
10 transparency and risk minimization.

11 **Q. Please respond to Mr. Farley's suggestion that the SOS rate period should be**  
12 **changed to November to April and May through October.**

13 A. The Company's rates were designed to begin on January 1 in order to align the rate  
14 period with the underlying power contracts. A conclusion reached during the 2011 SOS  
15 Plan proceeding was that more efficient pricing can be obtained by purchasing contracts  
16 with calendar year delivery (i.e., January through December, and half-calendar-year  
17 segments such as January through June or July through December). SOS rates are then  
18 filed once the final SOS contracts are executed for a rate period.

19 National Grid USA's electric distribution companies in Massachusetts have six-month  
20 rate periods, with the winter rate period beginning on November 1. It has been observed

1           that this rate period includes all of the high-priced winter months (i.e., December,  
2           January, and February) and therefore has higher six-month winter rates as compared to  
3           other utilities that do not include all three months. Conversely, the Massachusetts' basic  
4           service rates are slightly lower for the summer period.

5           The Company's rate period for SOS currently does not include the high-priced month of  
6           December which helps lower the six-month winter rate. The table above comparing  
7           POLR rates across New England illustrate that winter rates that include December  
8           typically are higher than winter rates starting in January. If the SOS rate period were to  
9           begin on November 1 rather than January 1, the winter rate shock may be exacerbated  
10          once the high-price month of December is included with January and February.

11          Therefore, the Company does not agree with this recommendation, which is not in the  
12          best interest of SOS customers.

13   **IX.   Conclusion**

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

15   **A.    Yes.**

**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
RIPUC DOCKET NO. 4556  
2016 STANDARD OFFER SERVICE PROCUREMENT PLAN  
2016 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN  
WITNESS: MARGARET M. JANZEN  
SCHEDULES**

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Schedule 5	SOS RFP Notice (Template)
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**THE NARRAGANSETT ELECTRIC COMPANY  
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**Schedule 2C  
2016 SOS Plan  
Residential Customers**

**Residential Solicitations**

	Jul-2015	Aug-2015	Sep-2015	Oct-2015	Nov-2015	Dec-2015	Jan-2016	Feb-2016	Mar-2016	Apr-2016	May-2016	Jun-2016	Jul-2016	Aug-2016	Sep-2016	Oct-2016	Nov-2016	Dec-2016	Jan-2017	Feb-2017	Mar-2017	Apr-2017	May-2017	Jun-2017	Jul-2017	Aug-2017	Sep-2017	Oct-2017	Nov-2017	Dec-2017	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018	Jul-2018	Aug-2018	Sep-2018	Oct-2018	Nov-2018	Dec-2018					
<b>Final Bid Date</b>																																															
2014 Q4	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%		
2015 Q1	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	
2015 Q2																																															
2015 Q3																																															
2015 Q4	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	
2016 Q1																																															
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2017 Q1																																															
2017 Q2																																															
2017 Q3																																															
2017 Q4																																															
2018 Q1																																															
2018 Q2																																															
<b>On-Going Spot Market Purchases</b>	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

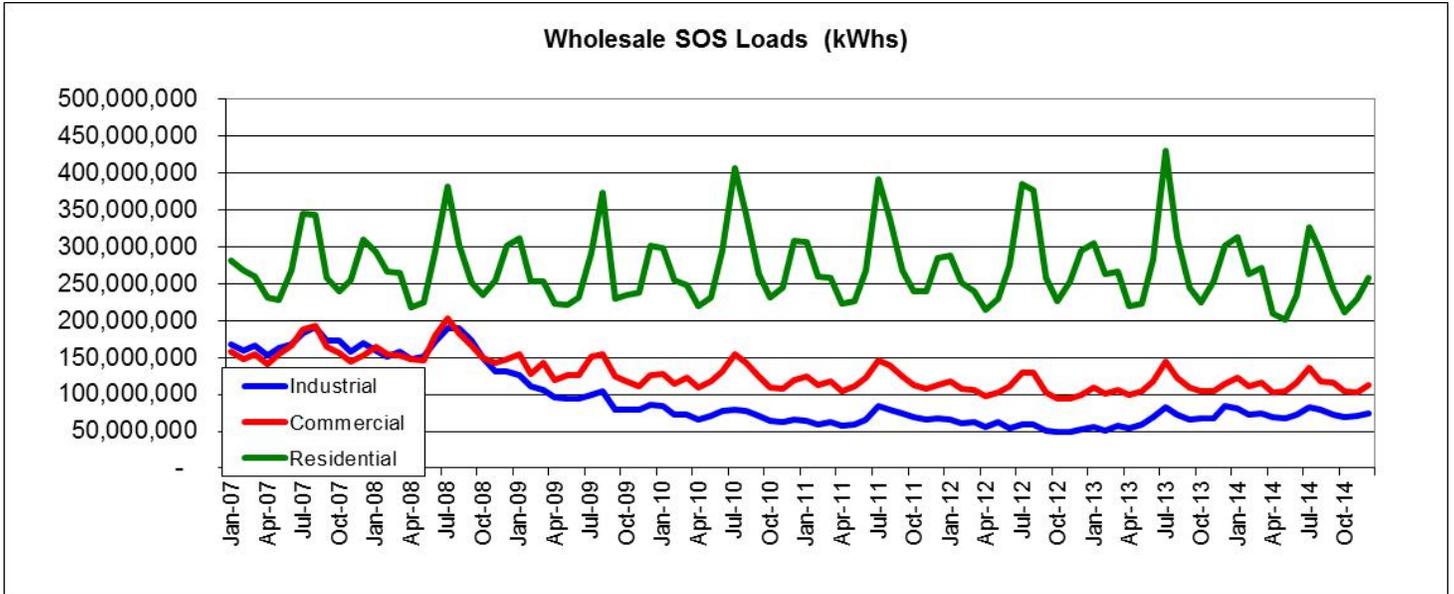
**NOTE:**  
 Approved FRS solicitations that have been purchased are shown in yellow - 2015 SOS Plan.  
 Approved FRS solicitations are shown in white - 2015 SOS Plan.  
 Actions to 2015 SOS Plan to transition to 2016 SOS Plan repeating schedule.  
 Requested FRS solicitations are shown in green - 2016 SOS Plan.  
 Solicitations shaded in gray are illustrative of the SOS plan.

**DELETE**



**THE NARRAGANSETT ELECTRIC COMPANY**  
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Schedule 3A  
Historical Wholesale Loads



	<b>Wholesale SOS Loads (GWs)</b>											
	<b>Standard Offer Load</b>				<b>Competitive Supply Load</b>				<b>Total Load</b>			
	Industrial	Commercial	Residential	Total	Industrial	Commercial	Residential	Total	Industrial	Commercial	Residential	Total
2007	2,025	1,921	3,286	7,232	871	255	6	1,132	2,895	2,176	3,292	8,363
2008	1,903	1,937	3,287	7,127	921	219	6	1,146	2,825	2,157	3,293	8,275
2009	1,158	1,582	3,163	5,903	1,528	471	11	2,010	2,686	2,053	3,174	7,913
2010	867	1,482	3,347	5,696	1,853	676	17	2,546	2,720	2,158	3,364	8,242
2011	810	1,439	3,305	5,554	1,865	700	35	2,600	2,675	2,140	3,341	8,156
2012	687	1,292	3,294	5,273	1,994	713	54	2,761	2,681	2,005	3,348	8,034
2013	789	1,337	3,326	5,452	1,875	719	89	2,683	2,664	2,056	3,415	8,135
2014	886	1,362	3,055	5,303	1,752	730	201	2,683	2,638	2,092	3,256	7,986

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Schedule 3B  
Forecasted Wholesale Loads

<b>SOS PROCUREMENT GROUPS (MWhs)</b>		Industrial	Commercial	Residential
Jan	2016	70,214	111,291	293,847
Feb	2016	63,627	99,057	250,920
Mar	2016	67,139	102,691	253,497
Apr	2016	63,818	91,628	206,860
May	2016	66,358	95,601	213,052
Jun	2016	71,143	107,609	256,735
Jul	2016	76,609	122,237	344,971
Aug	2016	85,433	142,304	317,492
Sep	2016	66,873	102,285	247,429
Oct	2016	65,231	95,939	220,270
Nov	2016	60,125	91,944	235,603
Dec	2016	63,000	100,598	284,654
Total		819,572	1,263,184	3,125,330



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Schedule 4  
Master Power Agreement (MPA)

## RHODE ISLAND MASTER POWER AGREEMENT

This **MASTER POWER AGREEMENT** (“Master Power Agreement”) is dated as of [date] and is by and between **THE NARRAGANSETT ELECTRIC COMPANY**, a Rhode Island corporation (“Buyer”) and [Company], a [what] (“Seller”). This Master Power Agreement provides for the sale by Seller of Standard Offer Service, as defined herein, to the Buyer. Buyer and Seller are referred to herein individually as a “Party” and collectively as the “Parties”.

### **ARTICLE 1. BASIC UNDERSTANDINGS**

Seller and Buyer have agreed to execute this Master Power Agreement in order to establish the basic terms of Seller’s provision and sale of, and Buyer’s acceptance and purchase of, Standard Offer Service. This Master Power Agreement, together with the Appendices and written supplements (including any Confirmations) hereto, and any designated collateral, credit support or margin agreement or similar arrangement between the Parties regarding the Transactions (as defined in Article 2), shall be referred to as the “Agreement” and shall constitute the entire agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the Parties concerning such subject matter but specifically excluding written agreements executed by the Parties prior to the Effective Date.

### **ARTICLE 2. DEFINITIONS**

As used in this Agreement, the following terms shall have the meanings specified in this Article. In addition, except as otherwise expressly provided, terms with initial capitalization used in this Agreement and not defined herein shall have the meaning as defined in the NEPOOL Rules.

**Affiliate** means, with respect to any Party, any entity (other than a person) that, directly or indirectly, controls, or is controlled by, or is under common control with, such Party. For this purpose, “control” means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

**Aggregate RES Requirement** means the total of the RES Requirement for each calendar month during a Delivery Term in which there is an RES Requirement in a Transaction.

**Alternative Compliance Payment Rate means** the value as published by the Rhode Island Public Utilities Commission in accordance with Section 3.2 of the RES Regulations.

**Award Block** means the numerical designation, for administrative purposes only, as may be set forth on a Confirmation to identify Customer Groups to be served from and including the Commencement Date through the Conclusion Date and the associated Load Asset Number and Load Asset Name, or other information as may be associated therewith in a Confirmation.

**Bid Proxy Price** means, the product of (a) the Reference New England Internal Hub Price as set forth in the Confirmation for the applicable Transaction, (b) the Resulting Bid Factor for a calendar month, and (c) the Adjustment Factor.

**Business Day** means a 24-hour period ending at 5:00 p.m. EPT, other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in Providence, Rhode Island are authorized by law or other governmental action to close.

**Buyer** has the meaning set forth in the preamble of this Master Power Agreement, along with any successors, assigns, employees, agents and authorized representatives thereof.

**Buyer's Service Territory** means the geographic area served by The Narragansett Electric Company including the service territory formerly served by Blackstone Valley Electric Company and Newport Electric Corporation which has been merged with and into The Narragansett Electric Company.

**Buyer's System** means the electrical transmission and distribution system of the Buyer and the electrical transmission and distribution system of any Affiliate of the Buyer.

**Commencement Date** means the period at HE 0100 EPT on the date set forth for each Customer Group in the Confirmation for the applicable Transaction.

**Commercial Contract Rate** means the value as set forth in the Confirmation for the applicable Transaction as applicable to a month or period in the Delivery Term.

**Commercial Customer Group** means Narragansett's customers in the General C&I Rate G-02, Small C&I Rate C-06, Decorative Street and Area Lighting Rate S-06, Limited Private Lighting Rate S-10, and General Streetlighting Rate S-14 retail rate classes, or such other rate classes as may be added from time to time.

**Commission** means the Federal Energy Regulatory Commission, or its successor.

**Commodity Business Day** means Monday through Friday, excluding NERC Holidays.

**Competitive Supplier Terms** means Narragansett's Terms and Conditions for Nonregulated Power Producers, R.I.P.U.C. No. 1191, as may be amended from time to time and approved by the RIPUC.

**Conclusion Date** means the period at HE 2400 EPT on the date set forth for each Customer Group in the Confirmation for the applicable Transaction.

**Confirmation** means a confirmation that is mutually agreed to and executed by the Parties, which may be in the form set forth in Appendix B or in a form otherwise agreed to by the Parties, such document to serve as a supplement or modification of this Master Power Agreement with respect to a specific Transaction.

**Confirmation Term** means, for the applicable Transaction, the period beginning as of the effective date set forth in a Confirmation and continuing through to the date both Parties have fulfilled all of their obligations with respect to such Transaction.

**Contract Rate** has the meaning set forth in the Confirmation for the applicable Transaction.

**Credit Rating** means, with respect to a Party (or its Credit Support Provider, as the case may be) or entity, on any date of determination, (1) the ratings assigned by Moody's, S&P and/or the other specified rating agency or agencies to such Party's (or its Credit Support Provider's, as the case may be) or entity's unsecured, senior, long-term debt not supported by third party credit enhancement, or (2) if the applicable entity does not have such a rating, then the rating assigned to such entity by Moody's and/or S&P as its corporate credit rating or issuer rating, or (3) if the applicable entity is a financial institution, its unsecured, unsubordinated, long-term deposits by Moody's, S&P and/or the other specified rating agency or agencies. In the event of an inconsistency in ratings by the rating agencies (a "split rating"), the lowest rating assigned shall control.

**Credit Support Annex or CSA** means the credit support annex mutually agreed to and executed by the Parties, in the form set forth as Appendix D hereto and incorporated by reference herein.

**Credit Support Provider** means the entity providing a guaranty substantially in the form set forth in Appendix C of this Master Power Agreement guaranteeing the financial obligations of a Party for the benefit of the other Party.

**Customer Disconnection Date** means the date when a Standard Offer Service Customer is disconnected from service, as determined by the Buyer in accordance with the Distribution Service Terms.

**Customer Group** means Buyer's customers who receive Standard Offer Service in the Industrial Customer Group, the Commercial Customer Group, and/or the Residential Customer Group corresponding to each of the foregoing customer groups as specified on the Confirmation for the applicable Transaction.

**Customer Termination Date** means the date when a Standard Offer Service Customer ceases to take service under the Standard Offer Service Tariff, each date as determined by the Buyer in accordance with the Distribution Service Terms.

**Daily Proxy Settlement Amount** means, for a given day, the product of (a) the Expected Daily Load and (b) the Proxy Price for such day minus the Bid Proxy Price.

**Delivered Energy** means the quantity of energy, expressed in megawatt-hours, provided by Seller with respect to a specific Transaction. This quantity shall be the sum of the quantity of energy reported to the ISO by the Buyer for each of the Load Assets identified in a specific Transaction, with such quantity determined by the Buyer in accordance with Section 6.3 of this Master Power Agreement. Such quantity shall not include any allocation of PTF losses (which the ISO may assess to Seller in relation to such energy), but shall include transmission and distribution losses on the Buyer's System from the Delivery Point to the meters of Standard Offer Service Customers.

**Delivery Point** means, for each Load Asset (x) identified in or in accordance with a specific Transaction and (y) as set forth in the Confirmation related to a specific Transaction (i) the Nodes at which the Real-Time Load Obligations are established in the ISO Settlement Power

System Model for the registered Load Assets representing the physical loads of Standard Offer Service Customers for the Delivery Term for such customers, identified by the Load Asset (“Loads With Nodes”), for any period and in any location in which there are Loads With Nodes and the ISO requires use of Nodes for Real-Time Load Obligations, or (ii) the Load Zones at which the Real-Time Load Obligations are established in the ISO Settlement Power System Model for the Load Assets representing the physical loads of Standard Offer Service Customers for the Delivery Term for such customers, identified by the Load Asset (“Loads with Zones”) if (a) the ISO does not require use of Nodes for Real-Time Load Obligations and (b) the use of Loads with Zones in a calculation of ISO settlement charges and costs yields the same mathematical result as a calculation thereof using Loads with Nodes; or (iii) in the event of neither (i) nor (ii), Loads with Nodes and, in any location in which there are no Loads with Nodes, Loads with Zones.

**Delivery Term(s)** means the period(s) set forth in the Confirmation for a particular Transaction for the respective Standard Offer Service designations, beginning on at the top of the HE 01:00 EPT on the Commencement Date (set forth in the applicable Confirmation) and continuing through and including the end of HE 24:00 EPT on the Conclusion Date.

**Distribution Service Terms** means Narragansett’s Terms and Conditions, R.I.P.U.C. No. 1197, as may be amended from time to time and approved by the RIPUC.

**Effective Date** means the date that this Master Power Agreement is executed by all Parties.

**EPT** means Eastern Prevailing Time.

**Existing Renewable Energy Resource** means as defined in Section 3.10 of the RES Regulations.

**Governing Documents** means, with respect to any particular entity, (a) if a corporation, the (i) articles of organization, articles of incorporation or certificate of incorporation and (ii) the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles or certificate of organization or formation and operating agreement; (e) if another type of entity, any other charter or similar document adopted or filed in connection with the creation, formation or organization of such entity; (f) all equity holders’ agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any entity or relating to the rights, duties and obligations of the equity holders of any entity; and (g) any amendment or supplement to any of the foregoing.

**Industrial Contract Rate** means the value as set forth in the Confirmation for the applicable Transaction as applicable to a month in the Delivery Term.

**Industrial Customer Group** means Narragansett’s customers in the 200 kW Demand Rate G-32, 3,000 kW Demand Rate G-62, Backup Service Rates B-32 and B62, and Electric Propulsion Rate X-01 retail rate classes, or such other rate classes as may be added from time to time.

**Initiation Date** means the date a retail customer of the Buyer begins taking service pursuant to the Standard Offer Service Tariff as determined by the Buyer in accordance with the Distribution Service Terms.

**Interest Rate** means, for any date, the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in *The Wall Street Journal* under “Money Rates” on such day (or if not published on such day, on the most recent preceding day on which published), plus two percent (2%) and (b) the maximum rate permitted by applicable law.

**Investment Grade** means (i) if any entity has a Credit Rating from both S&P and Moody’s then, a Credit Rating from S&P equal to “BBB-” and a Credit Rating from Moody’s equal to “Baa3”; or (ii) if an entity has a Credit Rating from only one of S&P and Moody’s, then a Credit Rating from S&P equal to “BBB-“ or a Credit Rating from Moody’s equal to “Baa3 or (iii) if the Parties have mutually agreed in writing on an additional or alternative rating agency, then a credit rating equal to that mutually agreed to in writing by the Parties in each Party’s sole and exclusive judgment.

**ISO** means ISO New England Inc., authorized by the Commission to exercise for New England the functions required pursuant to the Commission’s Order No. 2000 (and its progeny) and the Commission’s regulations, and any successor organization (including but not limited to a Regional Transmission Organization.).

**ISO Tariff** means the ISO New England Inc. Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3, as amended, modified, superseded and supplemented from time to time, and including the Market Rules and Procedures.

**ISO New England Operating Documents** means the ISO Tariff and the ISO New England Operating Procedures, as amended, modified, superseded and supplemented from time to time.

**Locational Marginal Pricing** means as set forth in the Market Rules and Procedures.

**Market Rules and Procedures** means the Market Rules, Manuals and Procedures adopted by the ISO and/or NEPOOL, as may be amended from time to time, and as administered by the ISO to govern the operation of the NEPOOL markets.

**Material Adverse Effect** means, with respect to a Party, any change in or effect on such Party after the date of this Agreement that is materially adverse to the transactions contemplated hereby, excluding any change or effect resulting from (a) changes in the international, national, regional or local wholesale or retail markets for electric power; (b) changes in the international, national, regional or local markets for any fuel; (c) changes in the North American, national, regional or local electric transmission or distribution systems; and (d) any action or inaction by a governmental authority, but in any such case not affecting the Parties or the transactions contemplated hereby in any manner or degree significantly different from others in the industry as a whole.

**Moody’s** means Moody’s Investors Service, its successors and assigns.

**MWh** means Megawatt-hour.

**NEPOOL-GIS** means the NEPOOL Generation Information System, which includes a generation information database and certificate system, operated by NEPOOL, its designee or successor entity, that accounts for generation attributes of electricity consumed within New England.

**NEPOOL-GIS Certificates** means a document produced by the NEPOOL-GIS that identifies the relevant generation attributes of each MWh accounted for in the NEPOOL-GIS from a generation unit.

**NEPOOL** means the New England Power Pool, or its successor.

**NEPOOL Agreement** means the Second Restated New England Power Pool Agreement dated as of February 1, 2005, as amended or accepted by the Commission and as may be amended, modified, superseded, supplemented and/or restated from time to time.

**NEPOOL Rules** means all rules adopted by NEPOOL or the ISO, as such rules may be amended, modified, supplemented or superseded and restated from time to time, including but not limited to, the NEPOOL Agreement, the ISO Tariff, the ISO New England Operating Documents, the Transmission Operating Agreement, the Participants Agreement, the NEPOOL Manuals, and the NEPOOL Operating Procedures, as amended, superseded or restated from time to time.

**NERC** means the North American Electric Reliability Corporation.

**Net Worth** means total assets, exclusive of intangible assets, less total liabilities, as reflected on the most recent balance sheet prepared by a certified public accountant as part of a certified financial statement in accordance with generally accepted accounting principles consistently applied in the business sector of the Seller.

**New England Internal Hub Price** means for each day remaining in the current calendar month and each day in all future calendar months during the term of this Transaction : (A) the sum of (x) the product of the applicable On-Peak ISO New England Internal Hub Price times the number of On-Peak Hours in such day and (y) the product of the applicable Off-Peak New England Internal Hub Price times the number of Off-Peak hours in such day and (B) then divided by twenty four (24).

**New Renewable Energy Resource** means as defined in Section 3.23 of the RES Regulations.

**NYMEX** means the New York Mercantile Exchange, Inc., its successors and assigns,

**Off-Peak Hour** means any hour that is not an On-Peak Hour.

**Off-Peak ISO New England Internal Hub Price** means, in a given month, the ISO New England Off-Peak LMP Swap price as published by NYMEX on a Valuation Date and represented by the NYMEX trading symbol KI.

**On-Peak Hour** means Hour Ending (“HE”) 08:00 EPT through HE 23:00 EPT on any Commodity Business Day.

**On-Peak ISO New England Internal Hub Price** means, in a given month, the ISO New England Internal Hub Peak LMP Swap price as published by NYMEX on a Valuation Date and represented by the NYMEX trading symbol NI.

**Proxy Price** means, for a given day, the product of (a) the New England Internal Hub Price for such day, (b) the Resulting Bid Factor for a calendar month, and (c) the Adjustment Factor.

**PTF** means facilities categorized as Pool Transmission Facilities under the ISO Tariff.

**RES** means Renewable Energy Standard.

**RES Regulations** means the Rules and Regulations Governing The Implementation Of A Renewable Energy Standard promulgated pursuant to the Renewable Energy Standard Law Section 39-26-1 et seq. of the General Laws of Rhode Island that implement a Renewable Energy Standard to facilitate the development of renewable energy resources for the benefit of customers in Rhode Island.

**RES Requirement** means the quantity of New Renewable Energy Resource NEPOOL-GIS Certificates and Existing Renewable Energy Resource NEPOOL-GIS Certificates to be provided by Seller as set forth in the Confirmation for a specific Transaction, if any.

**Residential Contract Rate** means the value as set forth in the Confirmation for the applicable Transaction as applicable to a month or period in the Delivery Term.

**Residential Customer Group** means Narragansett's customers in the Basic Residential Rate A-16 and Low Income Discount Rate A-60 retail rate classes, or such other rate classes as may be added from time to time.

**Resulting Bid Factor** means (A) the Contract Rate in a calendar month divided by (B) the Reference New England Internal Hub Price for the same calendar month.

**Requirements** means all electric generation and/or market purchases and delivery, to the Delivery Point, of the electric capacity, energy, ancillary services, operating reserves (including forward reserves) and all other market products required by the Buyer to provide kilowatt-hours to meet the needs of Standard Offer Service Customers during the Delivery Term.

**RIPUC** means the Rhode Island Public Utilities Commission, or its successor.

**RI Load Zone** means the Rhode Island Reliability Region as defined in the NEPOOL Rules.

**S&P** means Standard & Poor's Rating Group, its successors and assigns.

**Standard Offer Service** means the provision of Requirements by Seller at the Delivery Point to Narragansett to meet all needs of Standard Offer Service Customers.

**Standard Offer Service Customer(s)** means, for a specific Transaction, the customers in each Customer Group set forth in the applicable Confirmation taking service pursuant to the Standard Offer Service Tariff.

**Standard Offer Service Tariff** means Narragansett's Tariff for Standard Offer Service, R.I.P.U.C. No. 2011, as may be amended from time to time and approved by the RIPUC.

**Term** means as defined in Section 3.1.

**Transaction** means a particular transaction agreed to by Buyer and Seller relating to the purchase and sale of Standard Offer Service pursuant to this Agreement, as evidenced by the execution of a written Confirmation by Buyer and Seller setting forth the specific terms and conditions thereof.

**ARTICLE 3.            TERM, SERVICE PROVISIONS AND REGISTRATION REQUIREMENTS**

Section 3.1    Term

The term of this Master Power Agreement (the "Term") shall commence on the Effective Date and shall continue in effect until the earlier of (i) its termination by any Party upon thirty (30) days' prior written notice and (ii) its termination in accordance with Subsection 7.2(a); provided, however, that such termination shall not affect or excuse the performance of any Party under any provision of this Master Power Agreement that by its terms or operation survives any such termination and, provided further, that this Master Power Agreement and any other documents executed and delivered hereunder shall remain in effect with respect to the Transaction(s) entered into prior to the effective date of such termination until both Parties have fulfilled all of their obligations with respect to such Transaction(s). As of the termination of this Master Power Agreement, subject to the immediately foregoing sentence, and subject to any time limits specifically set forth in this Master Power Agreement or in a Confirmation, the Parties shall no longer be bound by the terms and provisions hereof, except (a) to the extent necessary to enforce the rights and obligations of the Parties arising under this Master Power Agreement before such expiration or termination or (b) that such terms and provisions expressly or by their operation survive the termination or expiration of this Master Power Agreement.

Section 3.2    Commencement of Supply

(a) Beginning as of the Commencement Date for each specific Customer Group in a specific Transaction, Seller shall provide Requirements to the Buyer. For purposes of certainty: Seller's obligations on the Commencement Date shall be to provide Requirements for all Standard Offer Service Customers identified in the related Confirmation taking service as of and including the Commencement Date.

(b) With respect to each person or entity that becomes a Standard Offer Service Customer subsequent to the applicable Commencement Date, Seller shall provide Requirements to the Buyer to meet the needs of the Standard Offer Service Customer(s) as of and including the Initiation Date for such customer initiating such service during the applicable Delivery Term.

(c) If Seller elects to receive electronic notification as provided in Section 3.7, the Buyer shall provide to Seller a notice of Initiation Date via electronic file transfer and in a format specified by the Buyer. Each notice of Initiation Date shall include the account number, the date Seller's service to the Buyer is to begin for a Standard Offer Service Customer and the customer's rate class.

### Section 3.3 Termination and Conclusion of Supply

(a) With respect to each Standard Offer Service Customer that terminates Standard Offer Service during the applicable Delivery Term, Seller shall provide Requirements to the Buyer for such customer on the Customer Termination Date but shall not provide Requirements for such customer after the Customer Termination Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7, the Buyer shall provide to Seller a notice of Customer Termination Date via electronic file transfer and in a format specified by the Buyer. Each notice of Customer Termination Date shall include the account number, the Customer Termination Date and the customer's rate class.

(c) Seller's obligation to provide Requirements with respect to each specific Customer Group in a specific Transaction shall cease at the applicable Conclusion Date.

### Section 3.4 Customer Disconnection Date

(a) With respect to each Standard Offer Service Customer whose Standard Offer Service is disconnected during the applicable Delivery Term, Seller shall provide Requirements to the Buyer for such customer on the Customer Disconnection Date but shall not provide Requirements for such customer after the Customer Disconnection Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7, The Buyer shall provide to Seller a notice of Customer Disconnection Date via electronic file transfer and in a format specified by the Buyer. Each notice of Customer Disconnection Date shall include the account number, the Customer Disconnection Date and the customer's rate class.

### Section 3.5 Distribution Service Interruptions

Seller acknowledges that interruptions in distribution service occur and may reduce the load served hereunder. Seller further acknowledges and agrees that the Buyer may interrupt distribution service to customers consistent with the Distribution Service Terms and the Competitive Supplier Terms. In no event shall a Party have any liability or obligation to the other Party in respect of any such interruptions in distribution service.

### Section 3.6 Release of Customer Information

The Buyer will not issue any customer information to Seller unless Seller has first obtained the necessary authorization in accordance with the provisions of the Competitive Supplier Terms.

### Section 3.7 Electronic Notification

At Seller's election, the Buyer shall provide notices contemplated by Sections 3.2, 3.3 and 3.4 via electronic file transfer. Such election shall only be effective when Seller (i) establishes a Windows or Unix file server with capability of sending and receiving File Transfer Protocol ("FTP"), files with Pretty Good Privacy ("PGP"), Encryption/Decryption, and (ii) verifies its

ability to transfer files to and receive files from the Buyer at least fourteen (14) days prior to the day on which Seller desires to commence electronic receipt.

### Section 3.8 Change in Supply; No Prohibition on Programs

(a) Seller acknowledges and agrees that the number of customers and the Requirements to meet the needs of such customers will fluctuate throughout the Delivery Term and may equal zero. The Buyer shall not be liable to Seller for any losses Seller may incur, including but not limited to lost revenues, and losses that may result from any change in Requirements, number or location of customers taking service, the location of the Delivery Point(s), the composition or components of market products or Requirements, or the market for electricity, or change in the Distribution Service Terms or the Standard Offer Service Tariff. Seller further acknowledges and agrees that there is no limit on the number of Customer Initiation Dates, Customer Termination Dates and Customer Disconnection Dates.

(b) Seller acknowledges and agrees that the Buyer has the right but not the obligation to continue, initiate, support or participate in any programs, promotions, or initiatives designed to or with the effect of encouraging customers to leave Standard Offer Service for any reason ("Programs"). Nothing in this Agreement shall be construed to require notice to or approval of Seller in order for the Buyer to take any action in relation to Programs.

(c) Seller acknowledges and agrees that the Buyer and Affiliates of the Buyer will not provide Seller preferential access to or use of the Buyer's System and that Seller's sole and exclusive rights and remedies with regard to access to, use or availability of the Buyer's System, and the Buyer's or Affiliates of the Buyer's obligation to transmit electricity are those rights, remedies and obligations provided under the Distribution Service Terms or the NEPOOL Rules.

### Section 3.9 Uniform Disclosure Requirements

Seller shall provide the Buyer information pertaining to power plant emissions, fuel types, labor information and any other information required by the Buyer to comply with the uniform disclosure requirements contained in R.I.G.L. Section 39-26-9 and any other disclosure regulations which may be imposed upon the Buyer during the term of this Agreement, as such disclosure requirements apply to Standard Offer Service provided by Seller pursuant to this Agreement.

Seller shall utilize the NEPOOL-GIS to transfer Load Obligations or NEPOOL-GIS Certificates, as applicable, to the Buyer's certificate account in the number equal to the Delivered Energy for Standard Offer Service in a month during the term of a Transaction. Such Load Obligations or NEPOOL-GIS Certificates, as applicable, shall be delivered by Seller at least five (5) Business Days prior to the close of the applicable Trading Period. The Load Obligations or NEPOOL-GIS Certificates, as applicable, shall be delivered by Seller to an account within the NEPOOL-GIS designated by the Buyer.

## **ARTICLE 4. SALE AND PURCHASE**

### Section 4.1 Provision Delivery and Receipt

With respect to each Transaction, Seller shall provide and deliver to the Delivery Point and the Buyer shall receive at the Delivery Point the percent of the Requirements applicable to each Customer Group during the Delivery Term, all as set forth in the Confirmation related to such Transaction.

#### Section 4.2 Responsibilities

(a) The Buyer shall arrange with the ISO for transmission service over the PTF and non-PTF from and after the Delivery Point to the customers' meters. The Buyer shall be responsible for all transmission costs over the PTF and non-PTF from the Delivery Point to the meters of the Buyer's customers. Seller shall be responsible for all transmission and distribution costs associated with the delivery of Requirements to and including the Delivery Point except the transmission costs otherwise provided for in this paragraph.

(b) Seller shall be responsible for all decisions and data submissions associated with the Ownership Share of the Load Assets in ARTICLE 6, Section 6.4 including any bids into the market system to manage these obligations.

(c) Seller shall be responsible for all present and future obligations, requirements, and costs associated with the Requirements and/or Seller's provision thereof, whether system wide or locational based including, but not limited to, the real-time load obligations, capacity obligations and/or charges( including but not limited to installed capacity, unforced capacity, locational installed capacity, locational unforced capacity, forward capacity market obligations, forward capacity market transition payment obligations), regulation obligations and/or charges (including any regulation opportunity costs), operating reserve obligations and/or charges (including, but not limited to, (w) any real-time reserve charges, (x) any forward reserve charges, (y) any charges associated with reserve constraint penalty factors, and (z) net commitment period compensation ("NCPC") charges (other than monthly fixed-cost charges paid to resources pursuant to reliability agreements negotiated under Market Rule 1 Appendix A, Section III.A.6 and Exhibit 2)), emergency energy charges, inadvertent energy revenue charges, ISO Schedule 1 charges (other than ISO Schedule 1 charges that are both (i) associated with the Buyer's Regional Network Service and (ii) allocated on the basis of Regional Network Load), ISO Schedule 2 charges, ISO Schedule 3 charges, day-ahead energy market charges, and real-time energy market charges at the nodes, if any, and if none, the zones representing the actual locations of the meters of the Standard Offer Service Customers, and any other requirements, market products, expenses and charges imposed by NEPOOL or the ISO, as they may be in effect from time to time related to the provision and/or delivery of Requirements to and including the Delivery Point. Except as otherwise specifically excluded in this paragraph, Seller's responsibility for costs and charges shall be without regard to the manner in which they are allocated by NEPOOL or the ISO.

(d) Seller shall be responsible for all costs and components thereof of any Locational Marginal Prices to provide Standard Offer Service (during the applicable Delivery Term), including its delivery to the Delivery Point. These components include the energy component, loss component, and congestion component.

(e) Seller shall be responsible for all congestion charges for delivery to the actual meters of Standard Offer Service Customers (during the applicable Delivery Term).

(f) Seller shall utilize the NEPOOL-GIS to transfer the quantity of NEPOOL-GIS Certificates from New or Existing Renewable Energy Resources equal to the RES Requirement to the account within the NEPOOL-GIS designated by the Buyer. Seller may satisfy the Aggregate RES Requirement at any time during the Delivery Term for a Confirmation provided such delivery occurs at least five (5) Business Days prior to the close of the applicable Trading Period associated with the Delivery Term; provided further, however, that the total number of NEPOOL-GIS Certificates from New or Existing Renewable Energy Resources shall not exceed the Aggregate RES Requirement for a Transaction.

(g) Seller shall notify Buyer within one Business Day of receipt of notice of termination from the ISO or event of default or similar occurrence under the Market Participant Service Agreement.

## **ARTICLE 5. AMOUNT, BILLING and PAYMENT**

### **Section 5.1 Amount**

The amount payable by the Buyer to Seller shall be the sum of the amounts due under all applicable Transactions.

### **Section 5.2 Billing and Payment**

(a) On or before the tenth (10th) day of each month during the Term, Seller shall calculate the amount due and payable to Seller pursuant to Section 5.1 with respect to the preceding month (the "Calculation"). Seller shall provide the Calculation to the Buyer and such Calculation shall include sufficient detail for the Buyer to verify its formulation and computation. Calculations under this paragraph shall be subject to recalculation in accordance with Article 6 and shall be subject to adjustment (positive or negative) based upon such recalculation (a "Reconciliation Adjustment"). Seller shall promptly calculate the Reconciliation Adjustment upon receiving data described in Section 6.3 and shall include the adjustment, if any, in the next month's Invoice. A Reconciliation Adjustment based upon a change in the quantity for an earlier month shall be calculated using the applicable Contract Rate for the month in which the Delivered Energy was received.

(b) Seller shall submit to the Buyer an invoice with such Calculation as provided for in paragraph (a) of this Section (the "Invoice") and the respective amounts due under this Master Power Agreement not later than the tenth (10th) day of each month. The Buyer shall pay Seller the amount of the Invoice (including the Reconciliation Adjustment, if any, as a debit or credit) less any amounts disputed in accordance with Section 5.3, on or before the later of the twentieth (20<sup>th</sup>) day of the month or ten (10) Business Days after receiving the Invoice (the "Due Date"). Except for amounts disputed in accordance with Section 5.3, if all or any part of the Invoice remains unpaid after the Due Date, interest shall accrue after but not including the Due Date and be payable to Seller on such unpaid amount at the Interest Rate in effect on the Due Date. The Due Date for a Reconciliation Adjustment shall be the Due Date of the Invoice in which it is included.

(c) Each Party shall notify the other Party upon becoming aware of an error in an Invoice, Calculation or Reconciliation Adjustment (whether the amount is paid or not) and Seller

shall promptly issue a corrected Invoice. Overpayments shall be returned by the receiving Party upon request or deducted by the receiving Party from subsequent invoices, with interest accrued at the Interest Rate from the date of the receipt of the overpayment until the date paid or deducted.

### Section 5.3 Challenge to Invoices

Unless otherwise agreed: (i) either Party may challenge, in writing, the accuracy of Calculations, Invoices or Reconciliation Adjustments (or the data utilized in the forgoing) no later than twenty-four (24) months after the Due Date of the Invoice in which the disputed information is contained; (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. 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 three (3) Business Days of such determination along with interest accrued at the Interest 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.

### Section 5.4 Taxes, Fees and Levies

Seller shall be obligated to pay all present and future taxes, fees and levies (“Taxes”) which may be assessed by any entity upon the Seller's performance under this Agreement including but not limited to the purchase and sale of Requirements and both Existing and New Renewable Energy Resource NEPOOL-GIS Certificates to the Buyer, if any. Seller shall pay all Taxes with respect to the Requirements up to and at the Delivery Point, and the Buyer will pay all Taxes with respect to the Requirements after the Delivery Point. All Requirements, including electricity and other related market products delivered hereunder by Seller to the Buyer shall be sales for resale with the Buyer reselling such electricity and products.

### Section 5.5 Netting and Setoff

Except for security provided pursuant to this Agreement (which shall not be considered for purposes of this Section 5.5) and unless otherwise specified in another agreement between the Parties, if the Parties are required to pay an amount on the same date each to the other under this Agreement or any other agreement between the Parties, or if any costs that are a Party's responsibility under this Agreement are incorrectly or inappropriately charged to the Party by the ISO, such amounts shall be netted, and the Party owing the greater aggregate amount shall pay to the other Party any difference between the amounts owed. Each Party reserves all rights, setoffs, counterclaims and other remedies and defenses (to the extent not expressly herein or therein waived or denied) that such Party has or to which such Party may be entitled arising from or out of this Agreement or the other agreement. Further, if the Buyer incurs any costs or charges that are the responsibility of Seller under this Agreement, such costs or charges may, at the Buyer's election, be netted against any amount due to Seller under this Agreement. All outstanding obligations to make payment under this Agreement or any other agreement between the Parties may be netted against each other, set off or recouped therefrom, or otherwise adjusted.

**ARTICLE 6.           QUALITY; LOSSES and QUANTITIES REQUIRED;  
DETERMINATION AND REPORTING OF HOURLY LOADS**

Section 6.1    Quality

All electricity shall be delivered to the Buyer in the form of three-phase sixty-hertz alternating current at the Delivery Point.

Section 6.2    Losses

Seller shall be responsible for all transmission and distribution losses and the costs related to such losses and associated with the Requirements, namely, losses from the Delivery Point to the meters of the Standard Offer Service Customers. Seller shall provide to the Buyer at the Delivery Point quantities of electricity and ancillary services, capacity and all other market products related thereto to cover such losses from the Delivery Point to the meters of Standard Offer Service Customers. The quantities required for this purpose in each hour of a billing period shall be determined in accordance with ISO's and the Buyer's procedures for loss determination.

Section 6.3    Determination and Reporting of Hourly Loads

(a)    The Buyer will estimate the Delivered Energy for Standard Offer Service provided by Seller pursuant to each Transaction based upon average load profiles developed for each of the Buyer's customer classes and the Buyer's actual total hourly load. The Buyer shall report to the ISO and Seller, the estimated Delivered Energy for each Transaction. The Buyer will normally report to the ISO and to Seller Seller's estimated Delivered Energy by 1:00 P.M EPT of the second following Business Day. Appendix A provides a general description of the estimation process that the Buyer will initially employ (the "Estimation Process"). The Buyer shall have the right but not the obligation, in its sole and exclusive judgment, to modify the Estimation Process from time to time, provided that any such modification is designed with the objective of improving the accuracy of the Estimation Process.

Each month, the Buyer shall reconcile the Buyer's estimate of the Delivered Energy for each Transaction based upon the Buyer's meter reads (such meter reads as provided for in the Distribution Service Terms). The reconciliation, including all losses, shall be the adjusted Delivered Energy. The Buyer will normally notify the ISO of any resulting adjustment (debit or credit) to Seller's account for the Load Assets (set forth in a specific Confirmation) no later than the last day of the third month following the billing month. Appendix A provides a general description of this reconciliation process, which process may be changed by the Buyer from time to time in its sole and exclusive discretion.

Section 6.4    ISO Settlement Market System Implementation

As soon as possible after the execution of a Confirmation related to a specific Transaction and before the applicable Commencement Date, the Buyer shall assign to Seller, and Seller shall accept assignment of an Ownership Share for each Load Asset in such Confirmation. Such assignment shall be effective beginning on the applicable Commencement Date. Seller shall maintain such ownership until the Conclusion Date (or, if earlier, the termination date

established in accordance with 7.2(a)). Seller shall take any and all actions necessary to effectuate such assignment and, if applicable in accordance with the foregoing, transfer, including executing documents required by the ISO. Once Seller's provision of Standard Offer Service terminates (effective as of the minute after the Conclusion Date or, if earlier, the termination date established in accordance with 7.2(a)), the Buyer will terminate Seller's Ownership Shares of the aforementioned Load Assets

The Buyer shall have the right to change the Load Asset designations from time to time, consistent with the definition and provision of Standard Offer Service. If and to the extent such designations change, the Buyer and Seller shall cooperate to timely put into effect the necessary ISO Settlement Market System contracts that may be necessary to implement the new designations and terminate the prior designations.

## **ARTICLE 7.           DEFAULT AND TERMINATION**

### **Section 7.1   Events of Default**

(a)   Any one or more of the following events shall constitute an "Event of Default" hereunder with respect to the Buyer:

(i)   Failure of the Buyer

(A) in any material respect to comply with, observe or perform any covenant, warranty or obligation under this Agreement (but excluding events that are otherwise specifically covered in this Section as a separate Event of Default and except due to causes excused by Force Majeure or attributable to Seller's wrongful act or failure to act in breach of this Agreement); and

(B) After receipt of written notice from Seller such failure continues for a period of five (5) Business Days, or, if such failure cannot be reasonably cured within such five (5) Business Day period, such further period as shall reasonably be required to effect such cure (but in no event longer than thirty (30) days), provided that the Buyer (x) commences within such five (5) Business Day period to effect a cure and at all times thereafter proceeds diligently to complete the cure as quickly as possible and (y) provides to Seller written documentation of its efforts and plan to cure and estimated time for completion of the cure.

(b)   Any one or more of the following events shall constitute an "Event of Default" hereunder with respect to Seller:

(i)   Failure of Seller

(A) in any material respect to comply with, observe, or perform any covenant, warranty or obligation under this Agreement (but excluding events that are otherwise specifically covered in this Section as a separate Event of Default and except due to causes excused by Force Majeure or attributable to the Buyer's wrongful act or wrongful failure to act in breach of this Agreement); and

(B) after receipt of written notice from the Buyer such failure continues for a period of five (5) Business Days, or, if such failure cannot be reasonably cured within such five (5) Business Day period, such further period as shall reasonably be required to effect a cure (but in no event longer than thirty (30) days), provided that Seller (x) commences within such five (5) Business Day period to effect such cure and at all times thereafter proceeds diligently to complete the cure as quickly as possible and (y) provides to the Buyer written documentation of its efforts and plan to cure and estimated time for completion of the cure;

(ii) Failure of Seller to provide Requirements in accordance with Articles 3 and 4;

(iii) Failure of Seller to satisfy its obligation to provide security when due and in accordance with the CSA;

(c) Any one or more of the following events with respect to either Party shall constitute an "Event of Default" hereunder with respect to such Party:

(i) The entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of such Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or (B) a decree or order adjudging such Party as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Party under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of such Party or of any substantial part of its property, or ordering the winding up or liquidation of its affairs;

(ii) The commencement by such Party of a voluntary case or proceeding, or any filing by a third party of an involuntary case or proceeding against a Party that is not dismissed within thirty (30) days of such third party's filing, under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of such Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of a Party or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by such Party in furtherance of any such action;

- (iii) Any representation or warranty made by a Party is or becomes false or misleading in any material respect.
- (iv) The failure of such Party to deliver or return Eligible Collateral as required under the CSA or the failure of such Party to pay Interest as required under the CSA and the continuation of such failure for two (2) Business Days after notice of that failure is given to that Party;
- (v) The violation by such Party of any other obligation or agreement with respect to Credit Support under the CSA and the continuation of such violation for five (5) Business Days after notice of that failure is given to that Party.”

## Section 7.2 Remedies Upon Default

The Parties shall have the following remedies available to them with respect to the occurrence of an Event of Default with respect to the other Party hereunder:

(a) Upon the occurrence of an Event of Default, the non-defaulting Party shall have the right to (i) continue performance under this Agreement and exercise such rights and remedies as it may have at law, in equity or under this Agreement and seek remedies as may be necessary or desirable to enforce performance and observation of any obligations and covenants under this Agreement, so long as such rights and remedies are not duplicative of any other rights and remedies hereof, and do not otherwise enable the non-defaulting Party to obtain performance or payments in excess of the performance and payments to which it is otherwise entitled pursuant to this Agreement, or (ii) at its option, give such defaulting Party a written notice (a “Termination Notice”) terminating this Agreement and all, but not less than all, Transactions. Upon a termination for an Event of Default under Section 7.1(a), (b) or (c)(iii), (c)(iv) or (c)(v), such termination shall be effective as of the date specified in the Termination Notice, which date shall be no earlier than the date such notice is effective and no later than thirty (30) days after the date such notice is provided to the defaulting Party in accordance with Article 8. Upon a termination for a default or Event of Default under Section 7.1(c)(i) or (ii), such termination shall be effective as of the Event of Default, provided that the non-defaulting Party provides written notice to the defaulting Party in accordance with Article 8 within ten (10) Business Days of the Event of Default. If such notice is not given within ten (10) Business Days of the Event of Default, the non-defaulting Party shall be entitled to terminate this Agreement effective as of the date specified in the written notice termination. Any attempted cure by a defaulting Party after this Agreement has been terminated by the non-defaulting Party shall be void and of no effect. The Parties’ obligations under this Agreement, in general and under this Section 7.2 in particular, are subject to the duty to mitigate damages as provided under common law. Termination of this Agreement shall in no way limit or restrict any Party’s right to pursue any legal or equitable remedies available to it arising from an Event of Default.

(b) Seller expressly agrees that at any time after the occurrence of an Event of Default by Seller, or the delivery of a Termination Notice to Seller by the Buyer, the Buyer may exercise any rights it may have pursuant to the CSA.

(c) In the event of termination for an Event of Default as provided in Section 7.1, in addition to any amounts owed for performance (or failure to perform) hereunder prior to such

termination, the non-defaulting Party may recover, without duplication, its direct damages resulting from such Event of Default; such damages shall include the positive (if any) present value of this Agreement to the non-defaulting Party for the portion of the Delivery Term remaining at the time of such termination, to be determined by reference to market prices, transaction costs and load reasonably projected for the remaining portion of the Delivery Term (“Termination Damages”). The Termination Damages shall include all reasonably incurred transaction costs and expenses that otherwise would not have been incurred by the non-defaulting Party. In determining its Termination Damages, the non-defaulting Party shall offset its losses and costs by any gains or savings realized by the non-defaulting Party as a result of the termination. Seller and Buyer agree that the foregoing provision is intended to reflect a mutually acceptable measure of damages for such Event of Default.

Payment of Termination Damages, if any, shall be made by the defaulting Party to the non-defaulting Party within five (5) days after calculation of such Termination Damages and receipt of a notice including such calculation of the amounts owed hereunder and a written statement showing in reasonable detail the calculation and a summary of the method used to determine such amounts. Upon the reasonable request of the defaulting Party, the non-defaulting Party shall provide reasonable documentation to verify the costs underlying the Termination Damages. If the defaulting Party disputes the non-defaulting Party's calculation of the Termination Damages, in whole or in part, the defaulting Party shall, within five (5) days of receipt of the non-defaulting Party's calculation of the Termination Damages, provide to the non-defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that, the defaulting Party shall first pay the Termination Damages, if any, to the non-defaulting Party in accordance with the preceding sentence, and the non-defaulting Party shall then deposit such disputed amount into an interest bearing bankruptcy-remote escrow account for the benefit of the prevailing Party and the dispute shall be resolved in accordance with Section 15.2.

(d) Notwithstanding any other provision of this Agreement, the cure of any default or failure to comply with, observe or perform any covenant, warranty or obligation under this Agreement within the period provided therefor in this Article shall not release such defaulting Party from its obligations under Section 9.2 of this Agreement.

(e) Upon termination the Buyer shall, and upon the occurrence of an Event of Default by Seller, the Buyer shall have the right to, immediately notify the ISO that (i) the assignment from the Buyer to Seller of the Ownership Share has been terminated, (ii) the Load Asset(s) shall be removed from Seller's account and placed in the account of the Buyer and (iii) Seller consents to such action. In the event the Buyer so notifies the ISO, Seller shall immediately take any and all actions that may be required by the ISO to remove the Load Asset from Seller's account and place it in the account of the Buyer. If the Agreement and any Transactions have not been terminated, the Buyer, in its sole discretion with five (5) Business Days prior notice to Seller, may elect to assign the Ownership Share of the Load Asset(s) set forth in the associated Confirmation(s) to the account of Seller and Seller shall accept such assignment, consistent with the actions required by Section 6.4 of this Master Power Agreement.

### Section 7.3 Forward Contract.

Each Party represents and warrants to the other that it is a “forward contract merchant” within the meaning of the United States Bankruptcy Code, that this Agreement is a “forward

contract” within the meaning of the United States Bankruptcy Code, and that the remedies identified in this Agreement, including but not limited to those specified in Section 7, shall be “contractual rights” as provided for in 11 U.S.C. § 556 as that provision may be amended from time to time.

**ARTICLE 8. NOTICES, REPRESENTATIVES OF THE PARTIES**

Section 8.1 Notices

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. It shall either be sent by facsimile (with receipt confirmed by telephone and electronic transmittal receipt), courier, personally delivered (including overnight delivery service) or mailed, postage prepaid, to the representative of the other Party designated in accordance with this Article. Any such notice, demand, or request shall be deemed to be given (i) when sent by facsimile confirmed by telephone and electronic transmittal receipt, (ii) when actually received if delivered by courier or personal delivery (including overnight delivery service) or (iii) seven (7) days after deposit in the United States mail, if sent by first class mail return receipt requested.

Notices and other communications by Seller to the Buyer shall be addressed to:

Director, Wholesale Electric Supply  
National Grid  
100 East Old Country Road  
Hicksville, NY 11801  
(516) 545-3282 (phone)  
(516) 545-3130 (fax)

and

Notices concerning Article 7 shall also be sent to:

General Counsel  
National Grid  
201 Jones Road  
Waltham, MA 02451  
(781) 907-1600 (phone)  
(781) 907-1647 (fax)

Notices and other communications by the Buyer to Seller shall be addressed to:

**[Name]**  
**[Company]**  
**[Address]**  
**[City, State & Zip]**  
**[Phone]**  
**[FAX]**

Any Party may change its representative or address for notices by written notice to the other Party; however such notice shall not be effective until it is received by the other Party.

#### Section 8.2 Authority of Representative

The Parties' representatives shall have full authority to act for their respective Party in all matters relating to the performance of this Agreement. Notwithstanding the foregoing, a Party's representative shall not have the authority to amend, modify, or waive any provision of this Agreement unless they are duly authorized officers of their respective entities and such amendment, modification or waiver is made in accordance with Article 17.

### **ARTICLE 9. LIABILITY; INDEMNIFICATION; RELATIONSHIP OF PARTIES**

#### Section 9.1 Limitation on Consequential, Incidental and Indirect Damages

EXCEPT AS EXPRESSLY PROVIDED IN SECTION 9.2, TO THE FULLEST EXTENT PERMISSIBLE BY LAW, NEITHER THE BUYER NOR SELLER, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, PARENT OR AFFILIATES, SUCCESSOR OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES, SUCCESSORS, OR ASSIGNS, SHALL BE LIABLE TO THE OTHER PARTY OR ITS PARENT, SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES (INCLUDING ATTORNEY'S FEES OR LITIGATION COSTS EXCEPT AS EXPRESSLY PROVIDED IN SECTION 15.2 AND IN ACCORDANCE WITH THE LIMITATION THEREUNDER) CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, OR ANY OTHER THEORY OF RECOVERY. THE PROVISIONS OF THIS SECTION SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS AGREEMENT.

#### Section 9.2 Indemnification

(a) Seller agrees to defend, indemnify and save the Buyer, its officers, directors, employees, agents, successors assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of a representation or warranty or failure to perform any covenant or agreement in this Agreement by Seller, (b) any violation of applicable law, regulation or order by Seller, (c) any act or omission by Seller with respect to this Agreement, first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened

or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee, or Affiliate of the Buyer or its respective successors or assigns.

(b) The Buyer agrees to defend, indemnify and save Seller, its officers, directors, employees, agents, successor, assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of representation or warranty or failure to perform any covenant or agreement in this Agreement by said Buyer, (b) any violation of applicable law, regulation or order by Buyer, (c) any act or omission by the Buyer, with respect to this Agreement first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee or Affiliate of Seller or its respective successors or assigns.

(c) If any Party intends to seek indemnification under this Section from the other Party with respect to any action or claim, the Party seeking indemnification shall give the other Party notice of such claim or action within thirty (30) days of the later of the commencement of, or actual knowledge of, such claim or action; provided, however, that in the event such notice is delivered more than thirty (30) days after the Party seeking indemnification knows of such claim or action, the indemnifying Party shall be relieved of its indemnity hereunder only if and to the extent such indemnifying Party was actually prejudiced by such delay. The Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such claim or action. The Party seeking indemnification shall not compromise or settle any such claim or action without the prior consent of the other Party, which consent shall not be unreasonably withheld.

### Section 9.3 Independent Contractor Status

Nothing in this Agreement shall be construed as creating any relationship between the Buyer and Seller other than that of independent contractors for the sale and delivery of Requirements for Standard Offer Service.

## **ARTICLE 10. ASSIGNMENT**

### Section 10.1 General Prohibition Against Assignments

Except as provided in Section 10.2, neither Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld.

### Section 10.2 Exceptions to Prohibition Against Assignments

(a) Seller may, without the Buyer's prior written consent, collaterally assign this Agreement in connection with financing arrangements provided that any such collateral

assignment that provides for the Buyer to direct payments to the collateral agent (i) shall be in writing, (ii) shall not be altered or amended without prior written notice to the Buyer from both Seller and the collateral agent, and (iii) provided that any payment made by the Buyer to the collateral agent shall discharge the Buyer's obligation as fully and to the same extent as if it had been made to the Seller. Seller must provide the Buyer at least ten (10) days advance written notice of collateral assignment and provide copies of any such assignment and relevant agreements or writings.

(b) The Buyer may assign all or a portion of its rights and obligations under this Agreement to any Affiliate of the Buyer without consent of Seller. Either Party may, upon written notice, assign its rights and obligations hereunder, or transfer such rights and obligations by operation of law, to any entity with which or into which such Party shall merge or consolidate or to which such Party shall transfer all or substantially all of its assets, provided that such other entity agrees to be bound by the terms hereof and provided further, that such other entity's creditworthiness is comparable to or higher than that of such Party at the time this Agreement was executed and such Party is not relieved of any obligation or liability hereunder as a result of such assignment

## **ARTICLE 11. SUCCESSORS AND ASSIGNS**

This Agreement shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and permitted assigns.

## **ARTICLE 12. FORCE MAJEURE**

(a) Force Majeure shall include but not be limited to acts of God, earthquakes, fires, floods, storms, strikes, labor disputes, riots, insurrections, acts of war (whether declared or otherwise), terrorism, acts of terrorism, acts of governmental, regulatory or judicial bodies, but if and only to the extent that such event or circumstance (i) directly affects the availability of the transmission or distribution facilities of the New England Transmission System, the Buyer or an Affiliate of the Buyer necessary to provide service to the Buyer's customers which are taking service pursuant to the Standard Offer Service Tariff and (ii) it is not within the reasonable control of, or the result of the negligence of, the claiming Party, and which, by the exercise of due diligence, the claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (A) fluctuations in Standard Offer Service, (B) the cost to a Party to overcome or avoid, or cause to be avoided, the event or circumstance affecting such Party's performance or (C) events affecting the availability or cost of operating any generating facility.

(b) To the extent that either Party is prevented by Force Majeure from carrying out, in whole or in part, its obligations hereunder and (i) such Party gives notice and detail of the Force Majeure to the other Party as soon as practicable after the onset of the Force Majeure, including an estimate of its expected duration and the probable impact on the performance of its obligations hereunder; (ii) the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure, and (iii) the Party claiming Force Majeure uses commercially reasonable efforts to remedy or remove the inability to perform caused by Force Majeure, then the affected Party shall be excused from the performance of its obligations prevented by Force Majeure. However, neither Party shall be required to pay for any obligation

the performance of which is excused by Force Majeure. This paragraph shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party involved in the dispute.

(c) No obligations of either Party which arose before the Force Majeure occurrence causing the suspension of performance shall be excused as a result of the event of Force Majeure.

(d) Prior to the resumption of performance suspended as a result of a Force Majeure occurrence, the Party claiming the Force Majeure shall give the other Party written notice of such resumption.

### **ARTICLE 13. WAIVERS**

No delay or omission in the exercise of any right under this Agreement shall impair any such right or shall be taken, construed or considered as a waiver or relinquishment thereof, but any such right may be exercised from time to time and as often as may be deemed expedient. The waiver of any single breach or default of any term or condition of this Agreement shall not be deemed to constitute the waiver of any other prior or subsequent breach or default of the Agreement or any other term or condition.

### **ARTICLE 14. LAWS AND REGULATIONS**

(a) This Agreement and all rights, obligations, and performances of the Parties hereunder, are subject to all applicable federal and state laws, and to all duly promulgated orders and other duly authorized action of governmental authorities having jurisdiction hereof.

(b) The rates, terms and conditions contained in this Agreement are not subject to change under Section 205 of the Federal Power Act as that section may be amended or superseded, absent the mutual written agreement of the Parties. Each Party irrevocably waives its rights, including its rights under §§ 205-206 of the Federal Power Act, unilaterally to seek or support a change in the rate(s), charges, classifications, terms or conditions of this Agreement or any other agreements entered into in connection with this Agreement. By this provision, each Party expressly waives its right to seek or support: (i) an order from the Commission finding that the market-based rate(s), charges, classifications, terms or conditions agreed to by the Parties in the Agreement are unjust and unreasonable; or (ii) any refund with respect thereto. Each Party agrees not to make or support such a filing or request, and that these covenants and waivers shall be binding notwithstanding any regulatory or market changes that may occur hereafter and (z) that it shall not challenge or support a challenge to the enforceability of the waiver in this Section (b).

(c) Absent the agreement of all Parties to a proposed change, the standard of review for changes to this Agreement proposed by a non-party or the Commission acting sua sponte shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile

Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the "Mobile-Sierra" doctrine).

(d) The Parties agree that, if and to the extent that the Commission adopts a final rule or order which requires that, in order to exclude application of the just and reasonable standard of review and to mandate application of the public interest standard of review under the Mobile-Sierra doctrine for a proposed change to this Agreement which is not agreed to by all Parties, the Parties must agree to language which varies from that set forth in Article 14(c) then, without further action of either Party, Article 14(c) will be deemed amended to incorporate the specific language required by such final rule or order as is necessary to have the public interest standard of review under the Mobile-Sierra doctrine apply to any proposed change to this Agreement to which all Parties do not agree.

(e) Nothing in this Article 14 is intended to modify any Party's right to enforce the terms of this Agreement as written.

## **ARTICLE 15. INTERPRETATION, DISPUTE RESOLUTION**

### Section 15.1 Governing Law

The Agreement shall be governed by and construed and performed in accordance with and the laws of the State of Rhode Island, without giving effect to its conflict of laws principles.

### Section 15.2 Dispute Resolution

All disputes between the Buyer and Seller under this Agreement shall be referred, upon notice by one Party to the other Party, to a senior manager of Seller designated by Seller, and a senior manager of the Buyer designated by the Buyer, for resolution on an informal basis as promptly as practicable. In the event the designated senior managers are unable to resolve the dispute within ten (10) days of receipt of the notice, or such other period to which the Parties may jointly agree, such dispute shall be submitted to arbitration and resolved in accordance with the arbitration procedure set forth in this Section. The arbitration shall be conducted in Boston, Massachusetts before a single neutral arbitrator mutually agreed to and appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, Seller and the Buyer shall each choose one arbitrator, who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within ten (10) days select a third arbitrator to act as chairman of the arbitration panel. In either case, the arbitrator(s) shall be knowledgeable and have at least two (2) years experience in electric utility matters, including wholesale power transactions and power market issues, and shall not have any current or past material business or financial relationships with either Party or a witness for either Party and shall not have a direct or indirect interest in any Party or the subject matter of the arbitration. If a panel of arbitrators, all of their decisions shall be by majority vote. The arbitrator(s) shall afford each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the then-current arbitration rules of the CPR Institute for Dispute Resolution (formerly known as the Center for Public Resources), unless otherwise mutually agreed by the Parties. There shall be no formal discovery conducted in connection with the arbitration unless otherwise mutually agreed by the Parties; provided, however, that the Parties shall exchange witness lists and copies of any exhibits that they intend

to utilize in their direct presentations at any hearing before the arbitrator(s) at least ten (10) days prior to such hearing, along with any other information or documents specifically requested by the arbitrator(s) prior to the hearing. Any offer made and the details of any negotiations to resolve the dispute shall not be admissible in the arbitration or otherwise. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of his, her or their appointment and shall notify the Parties in writing of such decision and the reasons therefore, and shall make an award apportioning the payment of the costs and expenses of arbitration among the Parties; provided, however, that each Party shall bear the costs and expenses of its own attorneys, expert witnesses and consultants unless the arbitrator(s), based upon a determination of good cause, awards attorneys fees and legal and other costs to the prevailing Party. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change the Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction, subject expressly to Section 15.3. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act. Nothing in this paragraph shall impair the ability of a Party to exercise any right or remedy it has under this Agreement, including those in Article 7. To the fullest extent permitted by law, any arbitration proceeding and the arbitrator's award shall be maintained in confidence by the Parties; provided, however, that either Party, or any of its Affiliates, may provide information regarding the arbitration without limitation to any regulatory agency requesting or requiring such information or to a court in a proceeding to confirm, appeal (as such appeal is limited hereby) or enforce the award; provided, further, that any such provision of information must include a request for confidential treatment.

### Section 15.3 Venue; Waiver of Jury Trial

Each Party hereto irrevocably (i) submits to the exclusive jurisdiction of the federal and state courts located in the State of Rhode Island, County of Providence (ii) waives any objection which it may have to the laying of venue of any proceedings brought in any such court; and (iii) waives any claim that such proceedings have been brought in an inconvenient forum. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.

## **ARTICLE 16. SEVERABILITY**

Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change will not otherwise affect the remaining provisions and lawful obligations that arise under this Agreement. If any provision of this Agreement, or the application thereof to any Party or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (b) the remainder of this Agreement and the application of such provision or circumstances shall not be affected by such invalidity or unenforceability.

## **ARTICLE 17. MODIFICATIONS**

No modification or amendment of this Agreement will be binding on any Party unless it is in writing and signed by both Parties.

## **ARTICLE 18. ENTIRE AGREEMENT**

This Master Power Agreement, including the Appendices, any Confirmations relating to specific Transactions, the tariffs and agreements referred to herein or therein, embody the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. It is expressly acknowledged and agreed that there are no restrictions, promises, representations, warranties, covenants or undertakings contained in any material provided or otherwise made available by the Seller or the Buyer to each other. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated hereby and specifically excludes written agreements executed by the Parties prior to the Effective Date.

## **ARTICLE 19. COUNTERPARTS**

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

## **ARTICLE 20. INTERPRETATION; CONSTRUCTION**

The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. For purposes of this Agreement, the term "including" shall mean "including, without limitation". The Parties acknowledge that, each Party and its counsel have reviewed and or revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement, and it is the result of joint discussion and negotiation.

## **ARTICLE 21. REPRESENTATIONS; WARRANTIES AND COVENANTS**

Each Party represents to the other Parties, upon execution and continuing throughout the term of this Agreement, as follows:

(a) It is duly organized in the form of business entity set forth in the first paragraph of this Agreement, validly existing and in good standing under the laws of its state of its organization and has all requisite power and authority to carry on its business as is now being conducted, including all regulatory authorizations as necessary for it to legally perform its obligations hereunder.

(b) It has full power and authority to execute and deliver this Master Power Agreement and any and all Confirmations related to Transactions and to consummate and perform the transactions contemplated hereby. This Master Power Agreement has been, and any Confirmation will be, duly and validly executed and delivered by it, and, assuming that this Master Power Agreement, together with any and all Confirmations, constitutes a valid and binding agreement of the other Parties, constitute together its valid and binding agreement, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, or the terms of any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument to which it is bound, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

(d) No declaration, filing with, notice to, or authorization, permit, consent or approval of any governmental authority is required for the execution and delivery of this Master Power Agreement or any and all Confirmations related to a Transaction by it or the performance by it of its obligations hereunder and thereunder, other than such declarations, filings, registrations, notices, authorizations, permits, consents or approvals which, if not obtained or made, will not, in the aggregate, have a Material Adverse Effect.

(e) Neither the execution and delivery of this Master Power Agreement or any and all Confirmations by it, nor the performance by it of its obligations under this Master Power Agreement and any and all Confirmations related to Transactions, will or does (i) conflict with or result in any breach of any provision of its Governing Documents, (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which it or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which, in the aggregate, would not have a Material Adverse Effect; or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to it, which violation would have a Material Adverse Effect.

(f) There are no claims, actions, proceedings or investigations pending or, to its knowledge, threatened against or relating to it before any governmental authority acting in an adjudicative capacity relating to the transactions contemplated hereby that could have a Material Adverse Effect. It is not subject to any outstanding judgment, rule, order, writ, injunction or decree of any court or governmental authority which, individually or in the aggregate, would create a Material Adverse Effect.

(g) There are no bankruptcy, insolvency, reorganization, receivership or other similar proceedings pending or being contemplated by it, or of its knowledge threatened against it.

(h) With respect to Seller, (i) it and the ISO have fully executed a Market Participant Service Agreement ("Seller's MPSA"), and it has been approved by the Commission in

accordance with Subsection 7.1 of the MPSA with the ISO and (ii) the ISO has not filed with the Commission a notice of termination of Seller's MPSA.

(i) It is acting for its own account, has made its own independent decision to enter into this Master Power Agreement and any and all Confirmations related to a Transaction and as to whether this Master Power Agreement and any such Confirmation is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party hereto, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Master Power Agreement and any such Confirmation or Transaction.

## **ARTICLE 22. CONSENTS AND APPROVALS**

The Parties shall cooperate so that each Party may take such actions as necessary and required for the other Party to effectuate and comply with this Agreement including to (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, and (iii) use all commercially reasonable efforts to obtain all necessary consents, approvals and authorizations of all other entities, in the case of each of the foregoing clauses (i), (ii) and (iii), necessary or advisable to consummate the transactions contemplated by this Agreement. The Buyer shall have the right to review and approve in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing, press release or public announcement made in connection with the transactions contemplated hereby.

## **ARTICLE 23. CONFIDENTIALITY**

Neither Seller nor the Buyer shall provide copies of or disclose the contents or terms of Section 5.2(b), Article 7 and Appendix C [BIDDERS: Insert additional sections] of the Master Power Agreement, (the "Confidential Terms") to any third party without the prior written consent of the other Party; provided, however, that either Party may provide a copy of the Confidential Terms, in whole or in part to (1) any regulatory agency, or governmental authority with jurisdictional interest, requesting and/or requiring such Confidential Terms, or in order to comply with any applicable law, regulation, or any exchange, control area or independent system operator rule or in connection with any court or regulatory proceeding, provided that in the case of a disclosure pursuant to the foregoing, such disclosure must include a request for confidential treatment of the Confidential Terms, and (2) an Affiliate if related to the Party's performance of its obligations hereunder, provided that such Affiliate agrees to treat the Confidential Terms as confidential in accordance with this clause.

**[Remainder of Page Intentionally Left Blank]**

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Master Power Agreement on their behalf as of the date first above written.

**THE NARRAGANSETT ELECTRIC COMPANY**

\_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

**[COMPANY]**

\_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

## **APPENDIX A**

### **ESTIMATION OF SELLER HOURLY LOADS**

#### **Overview**

Generating units operated by suppliers are dispatched by the power pool to meet the region's electrical requirements reliably, and at the lowest possible cost. As a result, a supplier's electricity production may not match the demand of its customers. In each hour some suppliers with low cost production units or that contract for the output of such units are net sellers of electricity to the pool, while other suppliers are purchasing power from the pool to meet the demand of their customers. To determine the extent to which suppliers are net buyers or sellers on an hourly basis, it is necessary to estimate the hourly aggregate demand for all of the customers served by each supplier. The Buyer will estimate Seller's Standard Offer Service load obligations within the Buyer's service territory and report the hourly results to the ISO on a daily basis.

The estimation process is a cost-effective approach to producing results that are reliable, unbiased and reasonably accurate. The hourly load estimates will be based on rate class load profiles, which will be developed from statistically designed samples. Each day, the class load shapes will be scaled to the population of customers served by each supplier. In cases where telemetered data on individual customers is available, it will be used in place of the estimated shapes. On a monthly basis, the estimates will be refined by incorporating actual usage data obtained from meter readings. In both processes, the sum of all suppliers' estimated loads will match the total load delivered into the distribution system. A description of the estimation process follows.

#### **Daily Estimation of Suppliers' Own Load**

The daily process estimates the hourly load for each supplier for the previous day. The following is an outline of this process:

- Select a proxy date from the previous year with characteristics which best match the day for which the hourly demand estimates are being produced. Extract class load shapes for the selected proxy date from the load research database.
- Scale the class load shapes appropriately for each individual customer based on the usage level of the customer relative to the class average usage level.
- Calculate a factor for each customer which reflects their relative usage level and includes an adjustment for losses ("load adjustment factor"). Aggregate the load adjustment factors across the customers served by each supplier in each class.
- Produce a preliminary estimate of each supplier's hourly loads by combining the proxy day class load shapes with the supplier's total load adjustment factors. Aggregate the loads across the classes for each supplier.
- Adjust the preliminary hourly supplier estimates so that their sum is equal to the Buyer's actual hourly metered loads (as metered at the point of delivery to the

distribution system) by allocating any differences to suppliers in proportion to their estimated load.

- Adjust the hourly supplier estimates to include transmission losses within the Buyer's transmission system.
- Submit the hourly loads to the ISO.

After the Buyer has submitted the supplier hourly loads, the ISO will allocate PTF losses to the supplier's account during the settlement process.

### **Monthly Reconciliation Process**

The monthly process will improve the estimates of supplier loads by incorporating the most recent customer usage information, which will be available after the monthly meter readings are processed. The actual customer meter readings, as well as actual interval data for the largest customers, are used to re-estimate all of the days in the calendar month being reconciled. Updates to customers' account status and supplier assignments that may have been missed during the daily processing (due to timing) are included. The resulting hourly supplier load estimates for all the days in the month are reported and used by the ISO as the basis for the monthly resettlement.

**APPENDIX B  
MASTER POWER AGREEMENT  
FORM OF CONFIRMATION**

This Confirmation shall confirm the Transaction agreed to on, and effective as of \_\_\_\_\_ between **THE NARRAGANSETT ELECTRIC COMPANY**, a Rhode Island corporation (“Buyer”) and **[Company], a [what]** (“Seller”) regarding the sale/purchase of Standard Offer Service specified herein under the terms and conditions under the Master Power Agreement, dated [ ] (the “Master Power Agreement”) between Buyer and Seller, as specified and modified herein. It is the intent of Buyer and Seller that the Transaction shall meet the Commodity Futures Trading Commission's criteria for the forward contract exclusion, including that the Parties intend to physically settle the Transaction, and is therefore not subject to swap regulation. Terms used but not defined herein shall have the meanings ascribed to them in the Master Power Agreement.

**1. Standard Offer Service Requirements Matrix**

Award Block	Customer Group	Load Zone	Load Responsibility	Commencement Date	Conclusion Date
TBD	TBD	TBD	TBD	TBD	TBD

**2. Contract Rate - \$/MWh**

Award Block	Customer Group	Load Zone	Month1	Month2	Month3	Month4	Month5	Month6
TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

**3. Load Asset Designation within the ISO Settlement Market System**

Award Block	Customer Group	Load Zone	Load Asset Number	Load Asset Name
TBD	TBD	TBD	TBD	TBD

**4. RES Requirement**

RES Requirement shall mean, for each calendar month during the term of this Transaction, zero.

Or

RES Requirement shall mean, for each calendar month during the term of this Transaction the product of (i) Delivered Energy in a calendar month for Standard Offer Service

in calendar year 200X and (ii) 0.XX, rounded up to the whole MWh of which up to two percent (2.0%) may come from Existing Renewable Energy Resources.

**5. Amount Payable**

The amount payable by the Buyer to Seller in a month shall be:

- (i) The product of (a) the Delivered Energy for Standard Offer Service to the Residential Customer Group in a month and (b) the Residential Contract Rate in the month plus,
- (ii) The product of (a) the Delivered Energy for Standard Offer Service to the Commercial Customer Group in a month and (b) the Commercial Contract Rate in the month plus,
- (iii) The product of (c) the Delivered Energy for Standard Offer Service to the Industrial Customer Group in a month and (d) Industrial Contract Rate in the month plus,
- (iv) The product of (a) the number of New Renewable Energy Resource NEPOOL-GIS Certificates and Existing Renewable Energy Resource NEPOOL-GIS Certificates delivered in the month, not to exceed the Aggregate RES Requirement and (b) the applicable Alternative Compliance Payment Rate less,
- (v) The product of (a) the RES Requirement and (b) the applicable Alternative Compliance Payment Rate.

**6. Modifications to the Master Power Agreement**

[To be determined for each Transaction]

**7. Security**

**A. Calculation of Exposure**

Exposure shall be calculated in accordance with Paragraph 3 of the CSA, subject to the conditions and definitions below.

**Seller Independent Amount** means the amount set forth below, and is required through the dates listed in the table:

Award Block	Customer Group	Load Zone	Amount of Security (USD)	Posting Required Through
TBD	TBD	TBD	TBD	TBD

**Expected Daily Load** means the average daily load based upon 2 years of available actual loads for a given month, as specified in the following table:

Award Block	Customer Group	Load Zone	Month1	Month2	Month3	Month4	Month5	Month6
TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

**Adjustment Factor** is X.XX.

**Reference New England Internal Hub Price** means the prices as specified in the following table:

<b>ISO New England Internal Hub Price</b>	<b>Month1</b>	<b>Month2</b>	<b>Month3</b>	<b>Month4</b>	<b>Month5</b>	<b>Month6</b>
Off-Peak	TBD	TBD	TBD	TBD	TBD	TBD
Peak	TBD	TBD	TBD	TBD	TBD	TBD
Reference New England Internal Hub Price**	TBD	TBD	TBD	TBD	TBD	TBD

\*\*The Reference New England Internal Hub price shall be calculated as ((Peak Price x number of Peak Hours in the Month) + (Off-Peak Price x number of Off-Peak Hours in the Month))/(Total Hours in the Month), as applicable.

**B. Delivery of Collateral**

Within five (5) Business Days after the execution of this Confirmation, Seller shall provide Collateral in accordance with Paragraph 3(a) of the Credit Support Annex of the Master Power Agreement, and in any of the forms specified in Paragraph 6 of the Credit Support Annex of the Master Power Agreement.

**8. Confidentiality**

Articles 1, 2, 3, 4, 5, and 7 [additional articles to be determined for each Transaction] of this Confirmation are Confidential Terms within the meaning of Article 23 of the Master Power Agreement.

**9. Ratification of the Terms and Conditions of the Agreement**

(a) Except as expressly amended or waived by this Confirmation, the terms, conditions, covenants, agreements, warranties and representations contained in the Master Power Agreement are in all respects ratified, confirmed and remade as of the date hereof and, except as amended or waived hereby, shall continue in full force and effect.

(b) Nothing in this Confirmation shall, or shall be construed to, alter or amend any other Confirmation.

**10. Counterparts**

This Confirmation may be executed in counterparts, all of which together shall constitute one and the same instrument.

This Confirmation constitutes part of and is subject to the terms and provisions of such Master Power Agreement.

*Remainder of Page Intentionally Left Blank*

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Confirmation on their behalf as of the date first above written

**THE NARRAGANSETT ELECTRIC COMPANY**

\_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

**[COMPANY]**

\_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

**APPENDIX C  
FORM OF GUARANTY**

Guaranty

This Guaranty (this “Guaranty”), dated effective as of [\_\_\_], [YEAR] (the “Effective Date”), is made and entered into by [ \_\_\_\_\_ ], a [ \_\_\_\_\_ ] corporation (“Guarantor”).

**WITNESSETH:**

WHEREAS, The Narragansett Electric Company (“the Buyer”) and [ \_\_\_\_\_ ], a corporation organized under the laws of the State of [ \_\_\_\_\_ ] (“Seller”) and a [ \_\_\_\_\_ ] of Guarantor, have entered into that certain Confirmation, dated \_\_\_\_\_ (the “Confirmation”), under the Master Power Agreement, dated [ \_\_\_\_\_ ], (collectively with the Confirmation, as the foregoing and the terms therein and the obligations and liabilities thereunder may from time to time and without notice to or consent of the Guarantor, and without impairing or releasing the obligations of the Guarantor, be amended, modified, revised, supplemented or waived by Buyer and Seller, the "Agreement") and

WHEREAS, Guarantor will directly or indirectly benefit from the Agreement between Seller and the Buyer;

NOW THEREFORE, in consideration of the Buyer entering into the Agreement, Guarantor hereby covenants and agrees as follows:

- 1) GUARANTY. Subject to the provisions hereof, Guarantor hereby irrevocably and unconditionally guarantees the full and faithful timely performance and payment when due of the obligations of Seller that are now due or may hereafter become due and payable to the Buyer under the Agreement (the “Obligations”). This Guaranty shall constitute a guarantee of performance and payment and not of collection. The liability of Guarantor under this Guaranty shall be specifically limited to performance and payments expressly required to be made under the Agreement (even if such payments are or are deemed to be damages) as well as costs of collection and enforcement of this Guaranty (including attorney’s fees) to the extent reasonably and actually incurred by the Buyer, but in no event shall Guarantor be subject hereunder to consequential, exemplary, equitable, loss of profits, punitive or tort damages, or, except to the extent specifically provided in the Agreement, any other damages.
  
- 2) DEMANDS AND NOTICE. Upon the occurrence and during the continuance of an Event of Default or termination, as may be defined in the Agreement, if Seller fails or refuses to perform or pay any Obligations and the Buyer elects to exercise its rights under this Guaranty, the Buyer shall make a demand upon Guarantor (hereinafter referred to as a “Demand”). A Demand shall be in writing and shall reasonably and briefly specify in what manner and what amount Seller has failed to perform or pay and an explanation of why such performance or payment is due, with a specific statement that the Buyer is calling upon Guarantor to perform and/or pay under this Guaranty. A Demand satisfying the foregoing requirements shall be required with respect to Obligations before Guarantor is required to perform or pay (free of any deductions or withholdings) such Obligations hereunder and shall be deemed sufficient notice to Guarantor that it must perform the Obligations within two (2) Business Days, or pay the Obligations within five (5) Business Days, after its

receipt of the Demand. A single written Demand shall be effective as to any specific default during the continuance of such default, until Seller or Guarantor has cured such default, and additional written demands concerning such default shall not be required until such default is cured. As used herein, the term "Business Day" shall mean a day on which commercial banks or financial institutions are open for business in the State of Rhode Island.

3) REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants that:

(a) it is a corporation duly organized and validly existing and in good standing under the laws of the State of [ ] and has the corporate power and authority to execute, deliver and carry out the terms and provisions of the Guaranty;

(b) the execution, delivery and performance of this Guaranty and each transaction contemplated by this Guaranty, do not and will not (with or without the lapse of time, the giving of notice or both, contravene, conflict with or result in a breach of or default under any provision of its constitution or any writ, order, judgment, law, rule or regulation to which it is a party or is subject or by which it is bound; and

(c) no authorization, approval, consent or order of, or registration or filing with, any court or other governmental body having jurisdiction over Guarantor is required on the part of Guarantor for the execution and delivery of this Guaranty; and

(d) this Guaranty, when executed and delivered, will constitute a valid and legally binding agreement of Guarantor, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

4) SETOFFS AND COUNTERCLAIMS. Without limiting Guarantor's own defenses and rights hereunder, Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which Seller or any other affiliate of Guarantor is or may be entitled to arising from or out of the Agreement or otherwise, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of Seller, the lack of power or authority of Seller to enter into, amend and/or perform the Agreement, or waiver or consent with respect to any provision thereof, or a claim as to the Agreement's validity regularity or enforceability, or any similar circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor generally.

5) AMENDMENT OF GUARANTY. No term or provision of this Guaranty shall be amended, modified, altered, waived or supplemented except in a writing signed by Guarantor and the Buyer.

6) WAIVER; TERMINATION. Except as required in Section 2 above, Guarantor hereby waives (a) notice of acceptance of this Guaranty; (b) presentment, demand and notice of dishonor concerning the liabilities of Guarantor; and (c) any right to require that any action or proceeding be brought against Seller or any other person, or to require that the Buyer exhaust its remedies against Seller or seek enforcement of any performance against Seller or any other person, or against any collateral pledged by Seller or any other person liable for payment or performance of the Obligations, prior

to any action against Guarantor under the terms hereof. Buyer shall not be obligated to file any claim relating to the Obligations in the event that Seller becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Buyer to so file shall not affect the Guarantor's obligations hereunder.

Except as to applicable statutes of limitation, no delay of the Buyer in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights or a release of Guarantor from any obligations hereunder.

Guarantor consents to the renewal, compromise, extension, acceleration or other changes including in the time of payment of and other changes in the terms of the Obligations, or any part thereof and amendments thereto, or any changes and modifications to the terms of the Agreement or waivers there under.

Guarantor shall not be discharged or released from its obligations hereunder by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Seller or by any defense which Seller may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding. Guarantor agrees that this Guaranty shall continue to be effective or shall be reinstated, as the case may be, if all or any part of any payment made hereunder is at any time avoided or rescinded or must otherwise be restored or repaid by the Buyer as a result of the bankruptcy of Seller, or otherwise, all as though such payments had not been made.

This Guaranty and the Guarantor's obligations hereunder shall remain in effect for the term of the Agreement.

NOTICE. Any Demand, notice, request, instruction, correspondence or other document to be given hereunder by any party to another (herein collectively called "Notice") shall be in writing and delivered personally or mailed by certified mail, postage prepaid and return receipt requested, or by telegram or facsimile, as follows:

To the Buyer:

Director, Wholesale Electric Supply  
National Grid  
100 East Old Country Road

Hicksville, NY 11801

(516) 545-3282 (phone)  
(516) 545-3130 (fax)

To Guarantor:

Fax No.:

Phone No.:

Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. Notice given by facsimile shall be effective upon (i) actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours and (ii) confirmation of receipt by telephone. All Notices by telegram or

facsimile shall be confirmed promptly after transmission in writing by certified mail or personal delivery. Any party may change any address to which Notice is to be given to it by giving notice in accordance with the requirements of this Section.

MISCELLANEOUS. This Guaranty shall in all respects be governed by, and construed in accordance with, the law of the State of Rhode Island, without regard to principles of conflicts of laws.

This Guaranty shall be binding upon Guarantor and its successors and permitted assigns and inure to the benefit of and be enforceable by the Buyer and its successors and permitted assigns. The Guarantor may not assign this Guaranty in part or in whole without the prior written consent of the Buyer. The Buyer may not assign its rights or benefits under this Guaranty in part or in whole except (i) with the prior written consent of the Guarantor, or (ii) pursuant to a permitted assignment of Agreement (“Assigned Agreement”), in which case the assignee will succeed to the rights of the Buyer hereunder arising after the date of such assignment. Neither the Guarantor nor the Buyer will unreasonably withhold or delay consent to assignment.

This Guaranty embodies the entire agreement and understanding between Guarantor and the Buyer and supersedes all prior agreements and understandings relating to the subject matter hereof. The headings in this Guaranty are for purposes of reference only, and shall not affect the meaning hereof.

Time is of the essence of this Guaranty. The remedies provided to the Buyer in this Guaranty are cumulative and not exclusive of any other remedies provided by law.

Words importing the singular number hereunder shall include the plural number and vice versa and any pronouns used herein shall be deemed to cover all genders. The term "person" as used herein means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated association, or government (or any agency or political subdivision thereof).

Wherever possible, any provision in this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any one jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**Remainder of Page Intentionally Left Blank**

**IN WITNESS WHEREOF, the Guarantor has executed this Guaranty on \_\_\_\_\_,  
but it is effective as of the Effective Date.**

[GUARANTOR]

\_\_\_\_\_  
Name (print): \_\_\_\_\_  
Title: \_\_\_\_\_

## APPENDIX D

### CREDIT SUPPORT ANNEX (RI SOS)

This Credit Support Annex to the Master Power Agreement (the “CSA”) is made and entered into by and between Buyer and Seller, as those are defined in the Master Power Agreement.

All provisions contained or incorporated by reference in the Master Power Agreement will govern this CSA except as expressly modified herein. Any terms capitalized, but not defined herein shall have the meaning given to them in the Master Power Agreement.

#### **Paragraph 1. Definitions.**

As Used in this CSA, the following terms have the meanings specified below:

“*Calculation Period*” shall mean the period between the commencement date of the transaction, and the conclusion date of the transaction, as defined in the confirmation.

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

“*Collateral Account*” shall have the meaning specified in Paragraph 6(a)(iii)(B).

“*Collateral Interest Rate*” means the daily effective federal funds rate as published in the applicable statistical release designated as H.12(510), or any successor publication by the Board of Governors of the Federal Reserve System. If such rate is expressed as a range, the Collateral Interest Rate shall equal the arithmetic average of such range.

“*Collateral Threshold*” shall have the meaning specified in Paragraph 3(c)(i).

“*Custodian*” shall have the meaning specified in Paragraph 6(a)(i).

“*Delivery Amount*” shall have the meaning specified in Paragraph 4.

“*Disputing Party*” shall have the meaning specified in Paragraph 7.

“*Eligible Collateral*” shall have the meaning specified in Paragraph 3(c)(iii).

“*Exposure*” shall have the meaning specified in Paragraph 3(b).

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

“*Invoiced Amounts*” shall have the meaning specified in Paragraph 3(b)(i)

“*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 the letter of credit is issued. All costs relating to any Letter of Credit shall be for the account of the Pledgor.

**“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 (as defined below); (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 zero at any time the Pledgor is required to Transfer Eligible Credit Support pursuant to Paragraph 4 below and the Pledgor has not Transferred replacement Eligible Credit Support; 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 to the Pledgor in accordance with the terms of this CSA.

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

**“Obligations”** shall have the meaning specified Paragraph 2.

**“Pledgor”** means either party, when that party (i) receives a demand for or is required to Transfer Eligible Collateral or (ii) has Transferred Eligible Collateral under this CSA.

**“Posted Collateral”** means all Eligible Collateral and all proceeds thereof that have been Transferred to or received by the Secured Party under this CSA and not Transferred to the Pledgor or released by the Secured Party. Any interest amount or portion thereof not Transferred will constitute Posted Collateral in the form of Cash.

**“Potential Event of Default”** means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

**“Qualified Institution”** means a major U.S. commercial bank or trust company, a foreign bank with a U.S. branch office or 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 Credit Ratings of at least “A3” from Moody’s and “A-“ from S&P.

**“Return Amount”** shall have the meaning specified in Paragraph 5.

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

**“Request Date”** shall have the meaning specified in Paragraph 7.

**“Requesting Party”** shall have the meaning specified in Paragraph 7.

**“Rounding Amount”** shall have the meaning specified Paragraph 3(c)(ii).

**“Secured Party”** means either party, when that party (i) makes a demand for or is entitled to receive Eligible Collateral or (ii) holds or is deemed to hold Posted Collateral under this CSA.

**“Seller’s Credit Support Provider”** means, \_\_\_\_\_

**“Seller’s Independent Amount”** means none, unless otherwise specified in the applicable Confirmation.

**“Substitute Eligible Collateral”** shall have the meaning specified in Paragraph 6(f).

**“Transfer”** means, 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 Buyer; and

- (b) in the case of Letters of Credit, delivery of the Letter of Credit or an amendment thereto to Buyer.

“**Valuation Agent**” means the Requesting Party; provided, however, that that in all cases, if an Event of Default or Potential 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 or Potential Event of Default continues, the other party shall be the Valuation Agent.

“**Valuation Date**” means each Business Day.

“**Valuation Percentage**” shall have the meaning specified in Paragraph 3(c)(iii).

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

“**Value**” means, with respect to Posted Collateral or Eligible Collateral, means the Valuation Percentage multiplied by the amount then available under the Letter of Credit to be unconditionally drawn by the Secured Party.

**Paragraph 2. Encumbrance: Grant of Security Interest.** Each party hereby pledges to the other Party as security for all outstanding Transactions and any other documents, instruments or agreements executed in connection therewith (collectively, the “**Obligations**”), and grants to the other Party a first priority continuing security interest, lien on, and right of set-off against all Collateral delivered to or received by such Party (the “**Secured Party**”) hereunder. Upon the return by the Secured Party to the other Party (such Party, the “**Pledgor**”) of 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.

**Paragraph 3. Calculations of Collateral Requirement.**

(a) **Collateral Requirement.** The “Collateral Requirement” for Seller means the Exposure, *minus the sum of*:

- (i) Seller’s Collateral Threshold;
- (ii) Seller’s Independent Amount, if any, as defined in the Confirmation;
- (iii) the amount of Cash previously Transferred to Buyer, and the amount of Cash held by Buyer as Posted Collateral as the result of drawing under any Letter of Credit; and
- (iv) the Value of each Letter of Credit maintained by Seller for the benefit of Buyer;

provided, however, that the Collateral Requirement of Seller will be deemed to be zero (0) whenever the calculation of Exposure yields a number less than zero (0).

(b) **Calculation of Exposure.** On any Valuation Date, the “**Exposure**” shall be calculated as *the sum of*:

- (i) all amounts that have been invoiced, but not yet paid for the Transaction under each Confirmation (“**Invoiced Amounts**”). Such amount shall be a positive number if owed by Seller to Buyer and a negative amount if owed from Buyer to Seller;
- (ii) all amounts that have been accrued, but not yet invoiced for the Transaction under each confirmation (“**Accrued Amounts**”). Such amount shall

be a positive number if owed by Seller to Buyer and a negative amount if owed from Buyer to Seller; and

(iii) the Daily Proxy Settlement Amounts for each day remaining in the current Calculation Period and all future Calculation Periods for Each Transaction (“*Proxy Settlement Amount*”);

(c) **Seller’s Collateral Threshold.**

(i) “*Seller’s Collateral Threshold*” means, the amount set forth below opposite the lowest Credit Rating for Seller on the Valuation Date, *provided*, however, that the Threshold for Seller shall be zero (“0”) if on the Valuation Date, Seller does not have a Credit Rating from S&P or Moody’s or an Event of Default or a Potential Event of Default with respect to Seller has occurred and is continuing.

Or

(i) “*Seller’s Collateral Threshold*” means, the amount set forth below opposite the lowest Credit Rating for Seller on the Valuation Date; *provided*, however, if Seller has provided a guaranty from its Credit Support Provider (substantially in the form set forth in Appendix C of this Master Power Agreement), then Seller’s Threshold shall correspond to the lesser of (1) the amount of such guaranty and (2) the amount set forth below opposite the lowest Credit Rating for Seller’s Credit Support Provider on the Valuation Date; and *provided*, further, the Threshold for Seller shall be zero if on the Valuation Date, (i) Seller or its Credit Support Provider (if Seller has provided a guaranty) does not have a Credit Rating from S&P or Moody’s, (ii) an Event of Default or Potential Event of Default with respect to Seller or its Credit Support Provider has occurred and is continuing or (iii) the guaranty, if any, provided by Seller fails to be in full force and effect unless Seller is relying on its own Credit Rating to establish its Threshold pursuant to the table below.

<u>Seller’s Collateral Threshold</u>	<u>Moody’s Credit Rating</u>	<u>S&amp;P Credit Rating</u>
\$	A3 or above	A- or above
\$	Baa1 or Baa2	BBB+ or BBB
\$0	Baa3 or below	BBB- or below

(ii) **Rounding.** The 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 \$100,000 (“*Rounding Amount*”).

(iii) The following items will qualify as “*Eligible Collateral*” for the Party specified:

	<u>Seller</u>	<u>“Valuation Percentage”</u>
(A) Cash	[X]	100%
(B) Letters of	[X]	100% unless either (i) a Letter of Credit

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 zero (0).

(d) **Valuation Agent/Valuation Time.** All calculations with respect to Collateral shall be made by the Valuation Agent as of the Valuation Time on the Valuation Date.

**Paragraph 4. Delivery of Collateral.** On any Business Day during the remaining term hereof on which (a) no Event of Default has occurred and is continuing with respect to Buyer, (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, and (c) Seller's Collateral Requirement exceeds \$0.00, then Buyer may request, by written notice, that Seller Transfer to Buyer, or cause to be Transferred to Buyer, Eligible Collateral for the benefit of Buyer, having a Value of at least the Collateral Requirement ("***Delivery Amount***"). Such Eligible Collateral shall be delivered to Buyer on the next Business Day if the request is received by the Notification Time; otherwise Eligible Collateral is due by the close of business on the second Business Day.

**Paragraph 5. Reduction and Substitution of Posted Collateral.** On any Business Day during the term hereof 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 Eligible Collateral posted by Seller exceeds the Exposure (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 Eligible Collateral in the amount of such difference ("***Return Amount***") and Buyer shall be obligated to do so. Such Eligible Collateral shall be returned to Seller on the next Business Day if the request is received by the Notification Time; otherwise Eligible Collateral is due by the close of business on the second Business Day. The Parties agree that if Seller has posted more than one type of Eligible Collateral to Buyer, Seller can, in its sole discretion, select the type of Eligible Collateral for Buyer to return; provided, however, that Buyer shall not be required to return the specified Eligible Collateral if immediately after such return, Seller would be required to post additional Eligible Collateral pursuant to the calculation of Exposure.

**Paragraph 6. 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 Paragraph 6(a)(ii) shall not apply with respect to Buyer and Cash shall be held in a Qualified Institution in accordance with the provisions of Paragraph 6(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 Paragraph 6(a)(iii)(B). Except as set forth in Paragraph 6(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) **Use of Cash.** 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, 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 Paragraph 6(a)(ii), if neither Buyer nor the Custodian is eligible to hold Cash pursuant to Paragraph 6(a)(i) then:

(A) the provisions of Paragraph 6(a)(ii) will not apply with respect to the Buyer; and

(B) the Buyer shall be required to Transfer (or cause to be Transferred) not later than the close of business within five (5) Business Days following 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 CSA 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 the 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) **Interest.** So long as no Event of Default with respect to the Seller has occurred and is continuing, and no termination date for which any unsatisfied payment Obligations of Seller exist has occurred or been designated 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 the Buyer to the Seller on the 3rd Business Day of each calendar month and on any Business Day that posted Eligible Collateral in the form of Cash is returned to Seller. 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 the Seller has paid in full all of its obligations that are then due, including those under Section 7.2(c) of this Agreement ("Obligations"), the 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 Eligible Collateral held by the Buyer, (ii) the right to set-off any amounts payable by the Seller with respect to any Obligations against any posted Eligible Collateral or the Cash equivalent of any posted Eligible Collateral held by the Buyer, or (iii) the right to liquidate any posted Eligible Collateral held by the Buyer and to apply the proceeds of such liquidation of the posted Eligible Collateral to any amounts payable to the Buyer with respect to the Obligations in such order as the Buyer may elect. For purposes of this Paragraph 6, the Buyer may draw on the entire undrawn portion of any Letter of Credit. Cash proceeds that are not applied to the Obligations shall be maintained in accordance with the terms of this CSA. The Seller shall remain liable for amounts due and owing to the Secured Party that remain unpaid after the application, pursuant to this Paragraph 6, of Eligible Collateral to the Obligations.

(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, then unless the Buyer has paid in full all of its obligations that are then due, including those under Section 7.2(c) of this Agreement: (i) the Seller may exercise all rights and remedies available to a Seller under applicable law with respect to the posted Eligible Collateral, (ii) the Buyer will be obligated immediately to return all posted Eligible Collateral and accrued Interest to the Seller, or (iii) to the extent that posted Eligible Collateral or accrued Interest are not returned pursuant to (ii) above, the Seller may set-off any amounts payable by the Seller with respect to any Obligations against any posted Eligible Collateral 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 the Seller with respect to any Obligations, up to the value of the remain posted Eligible Collateral held by the Buyer, until that posted Eligible Collateral is Transferred to the Seller. For avoidance of doubt, (i) the Buyer will be obligated immediately to Transfer any Letter of Credit to the Seller and (ii) the Seller may do any one or more of the following: (x) to the extent that the Letter of Credit is not Transferred to the Seller as required pursuant to (i) above, set-off any amounts payable by the Seller with respect to any Obligations against any such Letter of Credit held by the Buyer and, to the extent its rights to set-off are not exercised, withhold payment of any remaining amounts payable by the Seller with respect to any Obligations, up to the value of any remaining posted Eligible Collateral and the value of any Letter of Credit held by the Buyer, until any such Posted Eligible Collateral and such Letter of Credit is Transferred to the Seller; and (y) exercise rights and remedies available to the Seller under the terms of the Letter of Credit.

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

(i) As one method of providing Eligible Collateral, the Pledgor 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 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 Paragraphs 4 and 5, (1) the Buyer need not return a Letter of Credit unless the entire principal amount is required to be returned, (2) the Buyer shall consent to a reduction of the principal amount of a Letter of Credit to the extent that a Delivery Amount would not be created thereby (as of the time of the request or as of the last time the Delivery Amount was determined), and (3) if there is more than one form of Posted Collateral when a Return Amount is to be Transferred, the Secured Party may elect which to Transfer.

(e) **Care of Posted Eligible Collateral.** Buyer shall exercise reasonable care to assure the safe custody of all posted Eligible Collateral to the extent required by applicable law, and in any event the Buyer 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, the Buyer will have no duty with respect to the posted Eligible Collateral, including without limitation, any duty to enforce or preserve any rights thereto.

(f) **Substitutions.** Unless otherwise prohibited herein, upon notice to the Buyer specifying the items of posted Eligible Collateral to be exchanged, the Seller may, on any Business Day, deliver to the Buyer other Eligible Collateral (“*Substitute Eligible Collateral*”). On the Business Day following the day on which the Substitute Eligible Collateral is delivered to the Buyer, the Buyer shall return to the Seller the items of Eligible Collateral specified in the Seller’s notice; provided, however, that the Buyer shall not be required to return the specified Eligible Collateral if immediately after such return, Seller would be required to post additional Eligible Collateral pursuant to the calculation of Exposure set forth in Paragraph 3(b) and the Confirmation.

#### **Paragraph 7. Exercise of Rights Against Posted Collateral.**

(a) **Disputes regarding amount of Eligible Collateral.** If either Party disputes the amount of Eligible Collateral to be provided or returned (such Party the “*Disputing Party*”), then the Disputing Party shall (a) deliver the undisputed amount of Eligible Collateral 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. EPT on the Business Day that the request for Eligible Collateral 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 Eligible Collateral 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 Eligible Collateral required. On the same day the Eligible Collateral amount is recalculated, the Disputing Party shall deliver any additional Eligible Collateral required pursuant to the recalculation or the Requesting Party shall return any excess Eligible Collateral that is no longer required pursuant to the recalculation.

(b) **Further Assurances.** Promptly following a request by a Party, the other Party shall 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 CSA, or to effect or document a release of a security interest on posted Eligible Collateral or accrued Interest.

(c) **Further Protection.** The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding, or lien that involves the posted Eligible Collateral delivered to Secured Party by Pledgor or that could adversely affect any security interest or lien granted pursuant to this CSA.

**Paragraph 8. Miscellaneous.**

(a) **Demands and Notices.** All demands, specifications, and notices to Buyer with respect to Credit Support shall be made pursuant to the Notices Section of the Agreement with a copy to:

National Grid  
Attn: Director, Wholesale Electric Supply  
100 East Old Country Road  
Hicksville, NY 11801  
Phone - (516) 545-3282  
Fax: (516) 545-3130

National Grid  
Attn: Credit Operations  
100 East Old Country Road  
Hicksville, New York 11801  
Phone - (516) 545-3122  
Fax - (516) 545-5466  
Email – [keysparn-margin@keysparnenergy.com](mailto:keysparn-margin@keysparnenergy.com)

All demands, specifications, and notices to Seller with respect to Credit Support shall be made pursuant to the Notices Section of the Agreement with a copy to:

Counterparty  
Attn:  
Address  
City, State Zip  
Phone - (\_\_\_\_) \_\_\_\_ - \_\_\_\_  
Fax - (\_\_\_\_) \_\_\_\_ - \_\_\_\_  
Email –

(b) The provisions of this CSA shall apply to any and all Transactions entered into under the Master Power Agreement subsequent to the effective date of this CSA.

(c) The information contained in Paragraph 3(c)(i) of this CSA constitutes “Confidential Terms” within the meaning of Article 23 of the Master Power Agreement.



**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
RIPUC DOCKET NO. 4556  
2016 STANDARD OFFER SERVICE PROCUREMENT PLAN  
2016 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN  
WITNESS: MARGARET M. JANZEN  
SCHEDULES**

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Schedule 5  
SOS RFP Summary (Template)



**Request for  
Power Supply  
Proposals to Provide  
the Following Services:**

Standard Offer Service  
for the Industrial Group  
in Rhode Island for the Period:

[START DATE – END DATE]

Standard Offer Service  
for the Commercial Group  
in Rhode Island for the Period:

[START DATE – END DATE]

Standard Offer Service  
for the Residential Group  
in Rhode Island for the Period:

[START DATE – END DATE]

[ISSUE DATE]

## **REQUEST FOR POWER SUPPLY PROPOSALS**

### **1. Overview**

#### **1.1 Background**

Legislation in Rhode Island<sup>1</sup> provides for competition in the electric utility industry by extending competition in the wholesale power supply markets to retail customers through the provision of retail access to all customers.

The URA provides access to the competitive retail electricity market for all retail customers of National Grid's distribution company in Rhode Island (The Narragansett Electric Company or "NECO") as of January 1, 1998. In 2006 the Rhode Island legislature extended Standard Offer Service ("SOS") from the original termination date of December 31, 2009 until December 31, 2020. The Act requires National Grid to provide Standard Offer Service to those customers who are not receiving generation service from a non-regulated power producer.

#### **1.2 Standard Offer Service**

Beginning on the retail access date, National Grid's retail customers in Rhode Island had received generation service from either their choice of competitive suppliers or from National Grid through Standard Offer Service or Last Resort Service. Beginning on January 1, 2010, all National Grid customers not taking service from a competitive supplier began taking Standard Offer Service<sup>2</sup>. Standard Offer Service also included any Last Resort Service customers beginning on January 1, 2010. Thus, in a change from the former Standard Offer Service, customers who chose to take service from a competitive supplier after January 1, 2010 would be permitted to return to Standard Offer Service if they were no longer receiving service from a competitive supplier.

Customers taking Standard Offer Service will be in one of three separate groups: Residential, Commercial, and Industrial. This RFP is to procure service for the following groups:

- Residential Group (as defined below) for [NUMBER]% of the load for the period [START DATE] through [END DATE];
- Commercial Group (as defined below) for [NUMBER]% of the load for the period [START DATE] through [END DATE];

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<sup>1</sup> The Rhode Island Utility Restructuring Act of 1996 ("URA" and Rhode Island General Law 39-1-27.3, as amended in June 2002 and The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006 ("The Act") and Rhode Island General Law 39-1-27.3, as amended in 2006.

<sup>2</sup> On September 30, 2009, the Rhode Island Public Utility Commission ("RIPUC") approved National Grid's filing of April 29, 2009 (and revised July 10, 2009) to replace the previous Standard Offer Service with a new Standard Offer Service.

- Industrial Group (as defined below) for [NUMBER]% of the load for the period [START DATE] through [END DATE].

National Grid is hereby seeking proposals from qualified power suppliers to supply firm, load-following power to meet these Standard Offer Service requirements. It is the intent of National Grid and supplier(s) that the resulting transactions shall meet the Commodity Futures Trading Commission's criteria for the forward contract exclusion, including that the parties intend to physically settle the transactions, and are therefore not subject to swap regulation.

**National Grid, in consultation with or at the request of the RIPUC or Division of Public Utilities and Carriers, reserves the right to issue additional instructions or requests for additional information, to extend the due date, to modify any provision in this RFP or any appendix thereto and to withdraw this RFP.**

### 1.3 Rhode Island Customer Groups

For the purposes of this solicitation, the Rhode Island Residential, Commercial, and Industrial Groups are defined as:

Customer Group	Rate Class
Residential	A-16 and A-60
Commercial	G-02, C-06, S-06, S-10, S-14
Industrial	G-32, B-32, G-62, B-62, X-01

## 2. Description of Services

### 2.1 Description

Appendix A contains an overview of the services covered by this Request for Proposal ("RFP"). The Appendix provides:

- A brief description of Standard Offer Service;
- The eligibility requirements for a customer to obtain or leave Standard Offer Service.

### 2.2 Expected Loads

National Grid is unable to predict the amount of load that will be required to meet the needs of any customer group. National Grid's customers are free to leave Standard Offer Service at any time to take service from competitive suppliers. The ability of customers to enroll or return to Standard Offer Service is described in Appendix A.

To assist Respondents in determining the potential load requirements, National Grid is able to provide the following information on its Power Procurement Website:

- Aggregate reconciled historical wholesale hourly loads for the Standard Offer Service customer groups (since January 1, 2007).
- Aggregate historical wholesale hourly load data for previous Last Resort Service.
- Aggregate historical wholesale hourly load data for previous Standard Offer Service.
- Class average load shapes at the retail meter point.
- Historical customer counts, as of the last billing day in each month, by each National Grid company, SMD Load Zone (since March 1, 2003) and rate class. These counts represent the number of active accounts in each rate class as of the last billing day in each month.
- Historical customer counts for customers taking service from a competitive supplier, as of the last billing day in each month, by rate class.
- ICAP tags as of the last day of the month for each load asset.
- Average winning load block prices from previous RFPs.

Please use the following link to access the site:

<http://www.nationalgridus.com/energysupply/>

Click on “Data” at the upper right of the screen to access Load data, Customer Count data, Class Average Load Shapes and ICAP Tags. This site is open to anyone with the above link. No user id or password is required to access the data on the site.

### 2.3 Load Blocks

National Grid’s total Standard Offer Service requirements covered by this RFP are broken down into the following [NUMBER] load blocks:

Load Block	Customer Group	SMD Load Zone	Load Share	Type of Service	Period
<b>A</b>	Industrial	RI	#%	Standard Offer Service	[Start date – End date]
<b>B</b>	Industrial	RI	#%	Standard Offer Service	[Start date – End date]
<b>C</b>	Residential	RI	#%	Standard Offer Service	[Start date – End date]
<b>D</b>	Commercial	RI	#%	Standard Offer Service	[Start date – End date]
<b>TBD</b>	TBD	RI	#%	Standard Offer Service	[Start date – End date]

A Respondent may bid on any number of load blocks that it wishes to serve. A Respondent wishing to serve the entire load for a particular customer group should submit a bid for each load block of that customer group. Respondents may not limit the

amount of service that may be purchased for a given load block. Proposals that contain limits on the amount of service provided will be rejected<sup>3</sup>.

The amount of load for each load block to be supplied by the winning Supplier(s) will be determined in accordance with the procedure contained in Article 6 of the Master Power Agreement, a copy of which is provided in Appendix B.

#### 2.4 Rhode Island Retail Customer Rates

During the term of service covered by this RFP, National Grid intends to establish retail rates for generation service for Standard Offer Service customers in Rhode Island. The Standard Offer Service rates will reflect National Grid's purchase costs for such service due to commitments made as a result of this and previous RFPs.

### 3. General Provisions

#### 3.1 Terms and Conditions

The winning Supplier(s) will be selected to provide Standard Offer Service to the applicable customer groups/load blocks during the term covered by this RFP. Standard Offer Service will be provided by such Supplier(s) to National Grid in accordance with the terms and conditions of the Master Power Agreement. A copy of the Master Power Agreement for Rhode Island is provided in Appendix B. All Respondents must have an updated executed Master Power Agreement(s) prior to the indicative bid date.

The winning Supplier(s) will be required to execute the applicable confirmation(s) within two (2) business days of being notified that it has been selected as the winning Supplier.

Under Article 7 of the Master Power Agreement, failure of the winning supplier to deliver Requirements would constitute an event of default under the agreement, allowing National Grid to terminate and recover liquidated damages from the supplier.

#### 3.2 Proposal Process and Submission Dates

The following table outlines the key dates associated with this procurement process.

Process Step	Date
Company Issues Request for Proposal	[DATE]
Submit Respondent Proposal Information	[DATE] – 5pm EPT
Submit Indicative Pricing	[DATE] – 10am EPT

<sup>3</sup> For example, a Respondent offering to supply Block A load must agree to supply 100% of the needs of that load block during every month of the Period. The Respondent may not offer to serve Block A provided that the amount of service purchased does not exceed [specified value] MW in any hour.

Company files Indicative Pricing Summary with the RIPUC	[DATE]
Submit Final Pricing	[DATE] – 10am EPT
Company Notifies Winning Bidders	[DATE] – 1pm
Company files Final Pricing Summary with the RIPUC	[DATE]
Winning Bidders and Company execute Confirmations	No later than two business days after Final Pricing
Service Begins	[DATE]

One (1) copy of a Respondent's Proposal Information and proposed agreement modifications must be submitted by e-mail or facsimile or mailed to the following address:

**[EMPLOYEE]**

Wholesale Electric Supply  
National Grid  
100 East Old Country Road  
Hicksville, NY 11801  
(516) 545-XXXX  
(516) 545-2464 (fax)  
e-mail: electric.electricsupply@us.ngrid.com

National Grid is conducting the procurement process in three steps. The first step is for Respondents to provide National Grid with their background and financial information by 5:00 p.m. EPT on [DATE]. Upon receipt, National Grid will evaluate each Respondent's qualifications and will notify any Respondent that does not qualify by at least one business day before Indicative Pricing is due.

National Grid will not evaluate any indicative or final pricing if the Respondent does not have an executed Master Power Agreement. The Master Power Agreement must be executed prior to submitting indicative pricing.

The second step in this process is for Respondents to provide indicative pricing information by 10:00 a.m. EPT on [DATE] at the above address. National Grid will evaluate the indicative pricing as described above, and if required, National Grid may seek clarifications from Respondents. National Grid will file an indicative pricing summary with the RIPUC.

The third step is as follows: Respondents to provide final pricing information by 10:00 a.m. EPT on [DATE] at the above address. National Grid requests final pricing be valid until 1:00 p.m. National Grid intends to evaluate the final pricing and select a Supplier(s) that day by that time. Final pricing shall be binding until execution of a confirmation. Respondents should specify the manner in which they will accept a binding acceptance of their offer by National Grid prior to receipt of an executed agreement (letter of intent or e-mail) or they will be deemed to be bound by National Grid's acceptance communicated

in any of the preceding manners. National Grid will file a final pricing summary with the RIPUC.

At any time, National Grid, at its sole discretion, reserves the right to issue additional instructions or requests for additional information, to extend the due date, to modify any provision in this RFP or any appendix thereto and to withdraw this RFP.

### 3.3 Contact Person/Questions

All questions regarding this Request for Proposal should be directed to [EMPLOYEE] at the address provided above.

## 4. Service Features

### 4.1 Commencement Date of Supply

Service from the winning Supplier(s) to National Grid shall begin as of HE 0100 EPT on the date specified in the table found in Section 2.3 – Load Blocks.

Service from National Grid to individual customers who are currently taking Standard Offer Service as of Commencement Date, if any, will be transferred to the appropriate customer group and continue with the winning Supplier(s) providing such service to National Grid as of the Commencement Date.

Service from National Grid to individual customers taking Standard Offer Service as of the Commencement Date shall begin on the customer's meter reading date following notification/determination that a customer will be commencing Standard Offer Service or such other date designated by National Grid consistent with National Grid's Tariff for Off Cycle Meter Read for Switch of Supplier R.I.P.U.C. No. 2019-A in Rhode Island.

National Grid's procedures provide for customers to be switched from one service option to another (e.g., from Standard Offer Service to a competitive supplier, from one competitive supplier to another competitive supplier, from a competitive supplier to Standard Offer Service) on their normal cycle meter reading dates. However, there may be circumstances (e.g., default of a competitive supplier) that might require a customer to be switched to Standard Offer Service "off-cycle". In such case, the customer will be switched to Standard Offer Service on a date designated by National Grid consistent with National Grid's Tariff for Off Cycle Meter Read for Switch of Supplier R.I.P.U.C. No. 2019-A in Rhode Island.

### 4.2 Termination Date of Supply

Service from the winning Supplier(s) to National Grid shall terminate at HE 2400 EPT on the dates specified in the table found in Section 2.3 – Load Blocks.

Individual customers taking Standard Offer Service from National Grid may terminate the service at any time. Terminations may include, but not be limited to, (i) a customer's taking competitive service from a competitive supplier, (ii) disconnection of service by National Grid in accordance with regulations and procedures approved by the RIPUC, or (iii) closing of a customer's account. National Grid's procedures provide for customers electing to terminate such service to be switched to their successor service on their normal cycle meter reading date following the date that National Grid receives notification of such switch. However, there may be circumstances which might require a customer to be terminated "off-cycle". In such a case, the customer will be terminated from Standard Offer Service on a date to be determined by National Grid.

#### 4.3 Delivery Points

The Supplier(s) of Standard Offer Service will be responsible for delivering power to the nodes/zones representing the actual locations of the Standard Offer Service loads. The Supplier(s) of each of the services will be responsible for any PTF losses allocated by the ISO related to the services. The locations of the applicable Standard Offer Service load assets are as follows:

Company	SMD Load Zone	Load Asset	Load Asset Name	Load Block
NECo	RI	37765	NECO INDUSTRIAL SO LOAD_4005	TBD
NECo	RI	37763	NECO RESIDENTIAL SO LOAD_4005	TBD
NECo	RI	37764	NECO COMMERCIAL SO LOAD_4005	TBD

#### 4.4 Form of Service

The Supplier(s) of each Load Block shall be responsible for meeting the specified service requirements for all of National Grid's customers in a specific Load Block. These service requirements include the generation and/or market procurement and delivery to the delivery point(s) of the portion of the electric capacity, energy and ancillary services required to meet the needs of National Grid's ultimate customers taking such service. National Grid will implement the transfer of these responsibilities to the Supplier(s) by updating the asset registration for each of the above Load Assets. National Grid will assign to the Supplier(s) the applicable Ownership Share for each Load Asset. Once a Supplier's obligation terminates, National Grid will terminate the Supplier's Ownership Share of a Load Asset.

The Supplier(s) shall be responsible for all obligations, requirements, and costs associated with the Supplier(s) having the Load Asset Ownership Share which shall include but not be limited to the day-ahead load obligations and real-time load obligations at the nodes/zones of each Load Asset. A more complete description of a Supplier(s)'s responsibilities can be found in the Master Power Agreement in Appendix B of this RFP.

The Supplier(s) shall be responsible for all decisions and data submissions associated with any bids into the market system to manage these obligations. The Supplier(s) shall be responsible for all components of any Locational Marginal Prices the Supplier must pay in delivery of the services. These components include, but are not limited to, the day-ahead and real-time energy, marginal losses, and congestion charges. As the supplier of such services, the Supplier(s) will be responsible for all present or future requirements and associated costs (to the extent such charges are not imposed on National Grid as a transmission charge by NEPOOL or the ISO) associated with the services and any other requirements, market products, expenses or charges imposed by NEPOOL or the ISO, as they may be in effect from time to time.

The Supplier(s) will also be responsible for all transmission and distribution losses associated with delivery of the electricity from the delivery point to the Standard Offer Service customer's meter. A description of the estimation process for determining supplier hourly load can be found in Appendix A of the Master Power Agreement, found in Appendix B of this RFP.

National Grid will make arrangements with the ISO for transmission service over the PTF and non-PTF, from and after the Delivery Point to the Customers' meters. National Grid will be billed by the ISO and the applicable Participating Transmission Owner(s) for these services. National Grid will pay these bills and collect the costs, along with National Grid's distribution costs, from its retail customers through its retail delivery service tariffs. Any other transmission or distribution costs will be the Supplier(s)' responsibility.

#### 4.5 Implementation of the Rhode Island Renewable Energy Standards ("RES")

The RIPUC established rules and procedures implementing a renewable energy standard for all retail electricity suppliers selling electricity to end-use consumers in the State of Rhode Island to meet the Renewable Energy Standards passed by the state legislature in 2004<sup>4</sup>. These rules and regulations can be found at:

<http://www.ripuc.state.ri.us/utilityinfo/res.html>

These rules require National Grid to demonstrate that a portion of its Rhode Island electricity sales are supplied from a mix of renewable energy generation resources. They are:

- **New** consists of new renewable generators that began commercial operation after December 31, 1997.
- **Existing** consists of existing renewable generators that began commercial operation before December 31, 1997.

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<sup>4</sup> Title 39 Public Utilities and Carriers Chapter 39-26 RES.

The renewable requirements as a percent of sales are divided into two separate classes and summarized below:

Year	Percentage from New Renewable Energy Resources	Percentage from <i>either New or Existing</i> Renewable Energy Resources	Total Target Percentage
[YEAR]	[NUMBER] %	[NUMBER] %	[NUMBER] %

National Grid requests Respondents to separately bid the cost of RES compliance equivalent to the applicable percent of sales for [YEAR]. If National Grid accepts bids with the RES components, National Grid will require the winning Supplier(s) to utilize the NEPOOL Generation Information System (“NEPOOL GIS”) to provide NEPOOL GIS Certificates that comply with the requirements of the RES regulations. In each monthly invoice for a service that includes the RES component, National Grid will take a credit equal to the product of the RES obligation and the Alternative Compliance Payment. Once a Supplier delivers the required number of NEPOOL GIS Certificates, the credit will be returned to the Supplier.

## 5. Proposal Requirements

### 5.1 Format of Proposal

The information required by National Grid to evaluate each proposal is identified in Appendix C. Respondents may simply complete the forms provided in Appendix C in any legible fashion and return them to [EMPLOYEE] as provided in Section 3.2. In addition, proposals should contain explanatory, descriptive and/or supporting materials as necessary.

### 5.2 Proposed Pricing

Respondents must specify the price at which they will provide Standard Offer Service for each Load Block on which they are bidding to serve. Purchases will be made on an “as-delivered” energy basis with prices stated on a fixed \$/MWh basis. ~~Such~~For the Industrial Group such prices may vary by calendar month and by load block, but must be uniform for the entire calendar month or period, as specified, and cover the entire term of this Request for Proposals. For the Residential and Commercial Groups, such prices may vary by load block, but must be uniform for the entire period within a load block, as specified, and cover the entire term of this Request for Proposals.

Prices which contain demand components, minimum purchase requirements or which vary by time-of-use within a calendar month will be rejected. Prices which exclude one or more market costs (e.g. Installed Capacity, uplift costs, etc.) will be rejected.

National Grid intends to pay a Supplier(s) based on the billing determinants as defined in the Master Power Agreement. These billing determinants are the loads as reported to and settled by the ISO, which include transmission and distribution losses, and exclude any PTF losses allocated to the Supplier by the ISO during the settlement.

National Grid is seeking the following pricing:

- **All-Inclusive Bids:** For each Load Block (A through TBD), a price which includes all costs. Should National Grid select this option, (1) suppliers would be responsible for all costs including capacity market charges and (2) Suppliers would not be responsible for supplying the RES component.
- **RI-RES Compliance:** Price, on a separate \$ per MWh basis in [YEAR], for Supplier to provide the RI-RES component. Should National Grid select this option, the RI-RES Compliance Bid price would be added to the All-Inclusive Bid price and the Supplier would provide the applicable quantity of NEPOOL GIS Certificates (see Section 4.5).

### 5.3 Terms and Conditions

Service will be provided pursuant to the terms of the Master Power Agreement.

### 5.4 New England Market Participation

Each Respondent must indicate whether it has an executed and accepted Market Participant Service Agreement with ISO New England or if it plans to execute an agreement and, if so, at what point it is in the application process and the time frame for completing the process. Respondents must also provide evidence of agreements with a Market Participant if Respondent will have another Market Participant be responsible for its market settlement obligations.

### 5.5 Competitive Supplier Registration

The service provided by the Supplier(s) of Standard Offer Service to National Grid is a wholesale transaction between the Supplier(s) and National Grid; therefore, the Supplier(s) do not have to be licensed or registered suppliers with any state regulatory commission.

### 5.6 Regulatory Approvals

The Supplier(s) of the services covered by this Request for Proposal must obtain and maintain all necessary regulatory approvals required to enable it to provide the applicable service. Such approvals must be obtained prior to [START DATE] or [START DATE], as applicable.

## 6. Retail Customer Relationships

### 6.1 Customer Billing

All customers taking Standard Offer Service covered by this RFP will be retail customers of National Grid. As the retail provider of such service, National Grid will bill customers for the Standard Offer Service provided.

### 6.2 Notification of Enrollments and Terminations

National Grid will provide electronic notification to the Supplier(s) of Standard Offer Service customer enrollments and terminations within a customer group. Enrollment information will include account number, rate class and commencement date of service. Termination information will include account number, rate class and termination date of service. Such notifications shall only be provided when a Supplier establishes a Windows or Unix file server with capability of sending and receiving File Transfer Protocol (“FTP”), files with Pretty Good Privacy (“PGP”), Encryption/Decryption, and (ii) verifies its ability to transfer files to and receive files from National Grid at least fourteen (14) days prior to the day on which a Supplier desires to commence electronic receipt.

### 6.3 Customer Service

National Grid, as the retail provider of Standard Offer Service, will provide customer service to all customers receiving Standard Offer Service.

## 7. Selection Process

The criteria to be used in evaluating proposals will be the lowest evaluated bid price by Load Block. If there are identical lowest final bid prices for the Industrial Group, the winning bidder will be determined by selecting the bidder with the lowest final bid price for the estimated highest volume month. If the lowest final bid prices are identical for the Residential and Commercial Groups, the FRS contract would be divided equally among the lowest bidders.

National Grid will evaluate the RI-RES bids only for the Load Block winning bidders. National Grid will accept the RI-RES bid if it is at or less than the available market prices.

## 8. Credit Requirements

In order to protect National Grid’s Standard Offer Service customers from the risk of Supplier(s) default, a winning Supplier(s) must be able to demonstrate it has the financial resources to perform during the term of the agreement. As reflected in the attached

Master Power Agreement (Appendix B to this RFP), National Grid will require Supplier(s) to provide some form of security when entering into a Confirmation. The security arrangement will be based on the expected volume of load for the load block and a mark-to-market margining clause. As forward market prices change, the Supplier(s) will be required to post security for those incremental changes. Additionally, Suppliers that are rated at or below BBB-/Baa3 will be required to post an Independent Amount equal to 10% of the notional value of each Load Block awarded. The Supplier(s) shall provide security in one of the following forms:

- Unsecured line of credit for a rated counterparty
- Parental Guaranty
- Letter of Credit
- Cash deposit with National Grid

Respondents that are rated by a major credit rating agency must provide the ratings assigned by such agencies. Respondents that are not rated by a major credit rating agency must provide the following information to enable National Grid to evaluate a Respondent's financial strength:

- Respondent's organizational history
- Date of establishment
- Initial (if founded within the last ten years) and current capitalization
- Certified financial statements, including balance sheets and statements of income and cash flow with respect to the two previous fiscal years and the most recent interim period
- Forms 10-K and 10-Q, submitted to the United States Securities and Exchange Commission for the two previous fiscal years, if applicable;
- Short-term and long-term debt ratings from Moody's Investor Service or Standard & Poor's Corporation
- Corporate affiliates or joint venture partners including any details regarding financial limitations between partners or affiliates.

If a Respondent has provided this information to National Grid or an affiliate in a response to a previous RFP, then the Respondent needs only to identify the date and to whom the information was submitted and update the previously provided information.

National Grid agrees that it will treat the information it receives from Respondents in a confidential manner and will not, except as required by law or regulatory authority, disclose such information to any third party or use such information for any purpose other than in connection with this RFP.

## 9. General Requirements

National Grid may withdraw and terminate this RFP at any time without any liability. National Grid reserves the right to accept or reject, in whole or in part, any and all

proposals. National Grid will not be responsible to any Respondent or any other party for failure to execute a Master Power Agreement or Confirmation.

National Grid shall reject proposals submitted in response to this RFP that are incomplete, or do not conform to the requirements of the RFP, or are submitted beyond the deadline for submission. All proposals submitted by Respondents in response to the RFP will become the exclusive property of National Grid.

National Grid will post the average winning bid price of each load block on its website within 90 days of final pricing.

Each Respondent certifies, by its submission of a bid, that it is bidding independently and that it has no knowledge of any proposal being submitted by another Respondent in response to this RFP. Each Respondent further certifies that, by its submission of a bid, it has not disclosed and will not disclose prior to any award hereunder any information relating to its proposal which could have an effect on whether another party submits a proposal to this RFP or on the contents of such proposal that another bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the bidder is submitting a proposal in response to this RFP, the bidder's bids, the bidder's quantities of each product bid, the bidder's estimation of the value of a product, the bidder's estimation of the risks associated with supplying a product, and the bidder's preference for bidding on one or several products.

If any information provided by the Respondent changes or fails to remain valid, it is the sole responsibility of the Respondent to notify National Grid of such change. Failing to do so may result in disqualification of the Respondent and its proposal for the solicitation.

Respondents shall, at their own cost and expense, defend, indemnify and hold harmless National Grid, its parent, subsidiaries and affiliates and their officers, directors, trustees, employees, shareholders, executors, administrators, successors and assigns against any and all manner of past, present, or future claims, demands, disputes, controversies, complaints, suits, actions proceeding or allegations of any kind which in any manner relate to arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in its proposal, or breach of any covenant by the Respondent set forth herein.

**APPENDIX A**

**DESCRIPTION OF SERVICES**

<b>The Narragansett Electric Company</b>	
<b>Standard Offer Service</b>	
Description	Electric Service provided to retail customers who are not taking service from a competitive supplier.
Eligibility Requirements	<p>Service to customers can be initiated by:</p> <ul style="list-style-type: none"> <li>a) A customer notifying National Grid that it wishes to terminate service from its competitive supplier and commence Standard Offer Service.</li> <li>b) A competitive supplier notifying National Grid that it is terminating service to a customer.</li> <li>c) A competitive supplier ceasing to provide service to a customer without notifying National Grid.</li> <li>d) A customer moves into National Grid’s service territory and does not affirmatively choose a competitive supplier.</li> </ul>
Aggregate Number of Customers Taking Service and Historical Load Profiles	<p>Note: Historic customer count data and historical hourly load profiles are available at National Grid’s procurement web site:</p> <p style="text-align: center;"><a href="http://www.nationalgridus.com/energysupply/">http://www.nationalgridus.com/energysupply/</a></p>

**APPENDIX B**

**PROPOSED MASTER POWER AGREEMENT**

**APPENDIX C**

**REQUIRED PROPOSAL INFORMATION**

**RESPONDENT:** \_\_\_\_\_

**1. General Information**

Name of Respondent	
Principal contact person < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Secondary contact person (if any) < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Legal form of business organization of Respondent (e.g., sole proprietorship, partnership, limited partnership, joint venture, or corporation)	
State(s) of incorporation, residency and organization Indicate whether Respondent is in good standing in all states in which Respondent is authorized to do business and, if not, which states and the reason it is not.	
If Respondent is a partnership, the names of all general and limited partners.  If Respondent is a limited liability company, the names of all direct owners.	
Description of Respondent and all affiliated entities and joint ventures transacting business in the energy sector	

**RESPONDENT:** \_\_\_\_\_

**2. Financial Information**

Current debt rating for Respondent (include ratings and names of rating agencies).	
Date Respondent's last fiscal year ended.	
Total revenue for Respondent for the most recent fiscal year.	
Total net income for Respondent for the most recent fiscal year.	
Total assets for Respondent as of the close of the previous fiscal year.	
Copy of the Respondent's most recent balance sheet, income statement and cash flow statement.	
Copy of the Respondent's most recent audited balance sheet, income statement and cash flow statement.	

**3. Defaults and Adverse Situations**

<p>Describe, in detail, any situation in which Respondent (either individually or as part of a consortium, joint venture or other group), or an affiliate of Respondent, defaulted or was deemed to be in noncompliance of its contractual obligations to transact business in the energy sector within the past five years including, without limitation, to purchase or deliver energy, capacity or other market products at retail or wholesale, or for the purchase or sale of electricity or natural gas, and including any financing agreements or financing provisions of any agreement.</p> <p>Explain the situation, its outcome and all other relevant facts associated with the event.</p> <p>If there was litigation, provide the case caption, index number and court.</p> <p>Identify the name, title and telephone number of the principal manager of the customer/client who asserted the event of default or noncompliance.</p>	
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**RESPONDENT:** \_\_\_\_\_

<p>Has Respondent, or any affiliate of Respondent, in the last five years, (a) consented to the appointment of, or was taken in possession by, a receiver, trustee, custodian or liquidator of a substantial part of its assets, (b) filed a bankruptcy petition in any bankruptcy court proceeding, (c) answered, consented or sought relief under any bankruptcy or similar law or failed to obtain a dismissal of an involuntary petition, (d) admitted in writing of its inability to pay its debts when due, (e) made a general assignment for the benefit of creditors, (f) was the subject of an involuntary proceeding seeking to adjudicate that Party bankrupt or insolvent, (g) sought reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors.</p>	
<p>Describe any facts presently known to Respondent that might adversely affect its ability to provide the service(s) bid herein as provided for in the RFP</p>	

**4. NEPOOL AND POWER SUPPLY EXPERIENCE**

<p>Is Respondent a member of NEPOOL?</p>	
<p>Does Respondent have an executed and accepted Market Participant Service Agreement with ISO New England?</p>	
<p>Name of Market Participant if Respondent will have another Market Participant be responsible for its market settlement obligations .</p>	
<p>Describe Respondent's experience and record of performance in the areas of power marketing, brokering, sales, and/or contracting, for the last five years within NEPOOL and/or the New England region.</p>	
<p>Provide three references (name, title and contact information) who have contracted with the Respondent for similar load following services within the last 2 years.</p>	

**RESPONDENT:** \_\_\_\_\_

**5. CONFLICTS OF INTEREST**

Briefly describe any known conflicts of interest between bidder or an affiliate of bidder and Buyer, National Grid USA or any affiliates of the foregoing.	
Enumerate any litigation, claims or complaints asserted by bidder or an affiliate of bidder, against Buyer, National Grid or an affiliate of any of the foregoing.	
Enumerate any litigation, claims or complaints asserted against bidder or an affiliate of bidder by Buyer, National Grid or an affiliate of any of the foregoing.	

**6. SCOPE OF BID AND TERMS OF SALE**

Will Respondent execute a contract substantially similar to the Master Power Agreement contained in Appendix B?  Explain any proposed modifications.	
List all regulatory approvals required before service can commence.	

**RESPONDENT:** \_\_\_\_\_

**7. Proposed Pricing**

**(Respondent required to submit bidding spreadsheet included on procurement web site)**

**Standard Offer Service**



**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
RIPUC DOCKET NO. 4556  
2016 STANDARD OFFER SERVICE PROCUREMENT PLAN  
2016 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN  
WITNESS: MARGARET M. JANZEN  
SCHEDULES**

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Schedule 6  
SOS RFP Notice (Template)

**NATIONAL GRID**

**STANDARD OFFER SERVICE PROCUREMENT SUMMARY**

**FOR THE NARRAGANSETT ELECTRIC COMPANY**

FOR THE PERIOD  
[START DATE – END DATE]

**1. RFP Issued**

National Grid issued its Request for Power Supply Proposals (“RFP”) on [ISSUE DATE] directly to approximately 25 suppliers for the service period [START DATE] through [END DATE].

The RFP was also distributed to all members of the NEPOOL Markets Committee and posted on National Grid’s energy supply website. As a result, the RFP had wide distribution throughout the New England energy supply marketplace.

This procurement was conducted in accordance with the Standard Offer Procurement Plan approved by the Rhode Island Public Utilities Commission in Docket [NUMBER] (approved [DATE]). This procurement is also consistent with prior procurements conducted by National Grid.

National Grid’s RFP requested all-inclusive pricing for the following:

- [NUMBER]% of the Rhode Island Industrial Group Standard Offer Service requirements for the period [START DATE] through [END DATE];
- [NUMBER]% of the Rhode Island Residential Group Standard Offer Service requirements for the period [START DATE] through [END DATE];
- [NUMBER]% of the Rhode Island Commercial Group Standard Offer Service requirements for the period [START DATE] through [END DATE].

These requirements were divided into [NUMBER] distinct load blocks. A description of each load block is provided in Exhibit 1.

**2. Key RFP Dates**

- The RFP was issued on [DATE].
- Supplier information was received on [DATE].
- Indicative bids were received on [DATE].
- Final bids were received on [DATE].

**3. Contract Submissions**

All bidders had executed Master Power Agreements with National Grid before final bids and no contract revisions were necessary with the winning bidders. [AMEND AS NECESSARY] National Grid was able to resolve all outstanding issues with the bidders prior to receipt of bids and executed agreements that did not shift risks or obligations to its customers from those contained in its proposed agreements.

#### 4. Indicative Bids

Indicative bids were received on [DATE] from [NUMBER] bidders.

The indicative bids were evaluated and ranked (see Exhibits 2 and 3). Indicative pricing was used only to determine current market prices, to prepare an initial ranking of bids and to identify any bidding anomalies. The Rhode Island retail prices in Exhibit 3 were calculated by adjusting the wholesale contract prices in Exhibit 2 by the ratio of wholesale purchases to retail deliveries as calculated in Exhibit 3.

The lowest indicative bids for each load block were compared to National Grid’s estimate of expected indicative bids. Our methodology calculates the expected bid prices from the historical relationship of the bid prices to all market components that comprise the bid price (see Exhibit 4). This method utilizes a detailed on-peak & off-peak calculation and incorporates all bid components: energy, capacity, and ancillary services.

The results of the Rhode Island indicative bids were filed with the Rhode Island Public Utilities Commission on [DATE].

#### 5. Award of Final Bids

Final bids were received on [DATE] from [NUMBER] bidders.

The final bids were evaluated and ranked (see Exhibits 5 and 6). The retail prices for Rhode Island in Exhibit 6 were calculated by adjusting the wholesale prices in Exhibit 5 by the ratio of wholesale purchases to retail deliveries as calculated in Exhibit 6.

A summary of the number of conforming bids per block is provided in the following table:

<b>Block - # Bids</b>	<b>Block - # Bids</b>	<b>Block - # Bids</b>
A - #	B - #	TBD - #

The lowest final bids for each load block were compared to National Grid’s estimate of expected bids based on the methodology described above (see Indicative Bids). The calculations of these expected prices can be found in Exhibit 7.

The RFP’s competitive bidding process identified the winning bids for the [NUMBER] blocks as shown in Exhibit 8. Exhibit 8 also provides the basis for the award. Exhibit 9 provides a bidder key to help identify bidders.

Exhibit 10 provides a bid premium estimate for all winning bids. The bid premium estimate is the difference between the FRS Costs and the Market Component Costs. This difference includes:

- basis differential (the difference between the RI zonal price and hub price)
- volume risk premium - a premium associated with Est. MWh, On Peak % (loadshape), Customer Capacity Load Obligation
- migration risk premium
- price risk premium - premium associated with Capacity Net Clearing Price, Ancillary Costs, unexpected uplift costs, & electricity costs

- odd lot premium - a premium associated with procuring power at smaller block sizes or at the hourly level rather than round lot blocks
- credit costs
- supplier margin

The results of the final bids were filed with the Rhode Island Public Utilities Commission on [DATE].

## 6. Description of Wholesale Markets Conditions

[PROVIDE SUMMARY OF MARKET CONDITIONS]

## 7. Renewable Energy Standard

The Rhode Island load covered by this RFP is subject to a [NUMBER]% Renewable Energy Standard (“RES”) requirement for calendar year [YEAR].

The cost of obtaining the Renewable Energy Certificates (“RECs”) associated with the load requirements from the bidders was compared to the available market cost of obtaining RECs. Exhibit 11 compares the RES Adders contained in the lowest final bids. Because the prices from the winning bidders were [INSERT RESULTS].

National Grid estimated the costs to comply with the RES obligations by utilizing the estimated market prices and the obligation percentages as specified in the RES regulations. Exhibit 12 provides a calculation of the cost adder to include these costs.

## 8. Retail Rate

The expected retail rates for the Industrial Group, excluding administrative cost adders, were based on the wholesale bid that was awarded supply.

The expected retail rates for the Residential and the Commercial Customer Groups, excluding administrative cost adders and an estimate for the [NUMBER]% spot market purchases, were based on the wholesale bids that were awarded supply weighted with previous procurements. This is the [NUMBER] of [NUMBER] RFPs to procure power to serve Standard Offer Service customers for the [START DATE] to [END DATE] period. These costs are weighted with the previous RFP procurements to determine the expected retail rates [AMEND IF NECESSARY].

This is also the [NUMBER] of multiple RFPs to procure power to serve Standard Offer Service residential and commercial customers for calendar year [YEAR]. These costs will be weighted with future RFPs to determine the final retail rates.

The Rhode Island retail rates were calculated by adjusting the wholesale contract prices using the ratio of wholesale kWh purchases to retail kWh deliveries as calculated in Exhibit 6.

A summary of the estimated retail rates for blocks A through TBD is provided in Exhibit 13.

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 4 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 1**  
**LOAD BLOCK DESCRIPTIONS**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 5 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 2  
INDICATIVE BID RANKING AT WHOLESALE  
BLOCKS A – TBD**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 6 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 3  
INDICATIVE BID RANKING AT RETAIL  
WITHOUT RES (¢/kWh)  
BLOCKS A – TBD**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 7 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 4  
ESTIMATED INDICATIVE PRICES  
FORECAST BASED ON NYMEX ELECTRICITY FUTURES  
[START DATE – END DATE] PERIOD**

**CONTAINS CONFIDENTIAL INFORMATION  
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National Grid: Page 8 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 5  
FINAL BID RANKING AT WHOLESALE  
BLOCKS A – TBD**

**CONTAINS CONFIDENTIAL INFORMATION  
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National Grid: Page 9 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 6  
FINAL BID RANKING AT RETAIL  
WITHOUT RES (¢/kWh)  
BLOCKS A – TBD**

**CONTAINS CONFIDENTIAL INFORMATION  
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National Grid: Page 10 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 7  
ESTIMATED FINAL PRICES  
FORECAST BASED ON NYMEX ELECTRICITY FUTURES  
[START DATE – END DATE] PERIOD**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 11 of ~~18~~[18](#)  
Docket No. **NUMBER**

**EXHIBIT 8**  
**SUMMARY OF LOAD BLOCK AWARDS**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 12 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 9  
BIDDER KEY**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 13 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 10  
BID PREMIUM ESTIMATES  
BLOCKS A - TBD**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 14 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 11**  
**SUMMARY OF RES BIDS**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 15 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 12**  
**RES COST ADDER CALCULATION**

**CONTAINS CONFIDENTIAL INFORMATION  
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National Grid: Page 16 of ~~18~~18  
Docket No. **NUMBER**

**EXHIBIT 13**  
**ESTIMATED RETAIL RATES BASED ON FINAL BID PRICES**



**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
RIPUC DOCKET NO. 4556  
2016 STANDARD OFFER SERVICE PROCUREMENT PLAN  
2016 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN  
WITNESS: MARGARET M. JANZEN  
SCHEDULES**

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Schedule 7  
RES Plan for 2016

## 2016 Renewable Energy Standard Procurement Plan

### I. Objectives

A. This plan satisfies Section 8.2 of the Commission’s Rules and Regulations Governing the Implementation of a Renewable Energy Standard (“RES Regulations”). Under Section 8.2, the Company is required to annually submit a Renewable Energy Standard Procurement Plan that sets out its procedures for obtaining resources that satisfy its obligations under the Rhode Island Renewable Energy Standard (“RES”) (R.I. Gen. Laws § 39-26-1 et seq.).

B. The plan is for the procurement of the RES renewable energy certificates (“RECs”) to meet the obligations associated with provision of Standard Offer Service (“SOS”) for 2016. A competitive procurement process will be utilized for a portion of the 2016 requirements New RECs and for all 2016 requirements for Existing RECs, either bundled with Full Requirements Service (“FRS”) transactions or purchased separately.

### II. Requirements

The following table displays the anticipated number of RECs that will be necessary to satisfy RES Regulations in 2016.

Year	Percentage from New Renewable Energy Resources	Percentage from <i>either</i> New <i>or</i> Existing Renewable Energy Resources	Total RES Target Percentage	Estimated Standard Offer Load (MWhs)	Standard Offer Existing RES Obligation (RECs)	Standard Offer New RES Obligation (RECs)
2016	8.0	2.0	10.0	5,208,086	104,162	416,647

### III. REC Procurement

A. In order to comply with the Distributed Generation Standard Contracts Act and the Long-Term Contracting Standard for Renewable Energy (“Long Term Renewable Contracts”), the Company enters into transactions with renewable energy resources that include New RECs. As approved in Docket No. 4393 and Docket No. 4490, the Company proposes to continue to utilize these RECs to partially satisfy its New RES requirements for

the SOS load. The Company believes SOS customers will benefit from this approach because it minimizes transaction expenses.

As described in Docket No. 4338, the Company proposes to determine the market costs of these RECs for reconciliation by utilizing the most representative data sources, such as recent solicitation results, broker sheets, and market indices. This market cost will be charged to SOS customers for their RES obligation and the same amount will be credited to delivery customers.

B. Procurement of RECs (both New and Existing) will be linked to the purchase of FRS contracts through SOS competitive solicitations. Separate pricing would be requested from bidders to accept the RES obligations for the period served by the SOS contract. The bidders may decline to provide RES pricing. The lack of RES pricing will not impact the award of FRS transactions because the lowest FRS price will be the winner regardless of RES pricing. The Company will then evaluate the RES pricing provided by the winning bidders and compare it to the Company's best estimate of REC market prices. If the pricing provided by the winning SOS supplier is at or less than the Company's market price estimate, the SOS supplier will also be contracted to provide the RECs necessary to satisfy the RES obligation. For FRS RFPs that span multiple years, the Company will continue to only evaluate the bidders' RES pricing for the first year.

The Company continues to reserve the right to not award RES pricing in all SOS competitive solicitations. Due to the amount of New RECs acquired from the Long Term Renewable Contracts, the Company may not award RES pricing in a SOS solicitation.

C. The Company will issue standalone REC RFPs to procure the remaining REC amounts for each REC class necessary to satisfy the RES Regulations. The Company intends to issue two or more REC RFPs in 2016.

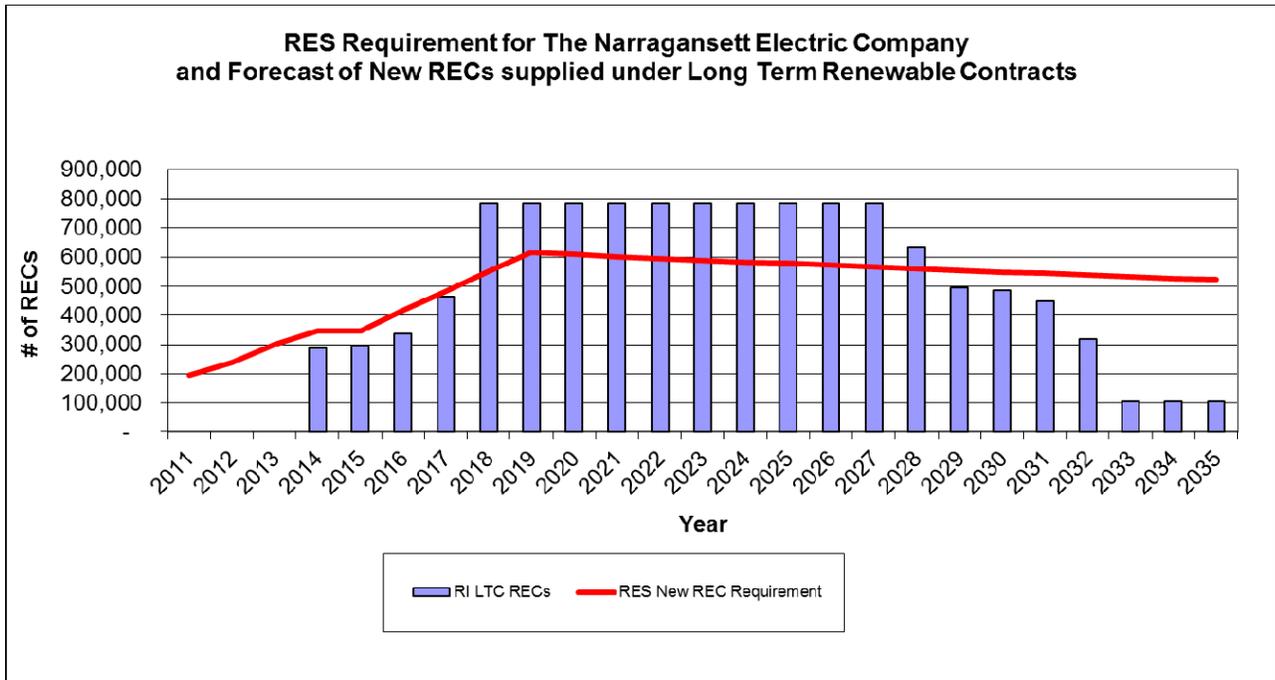
The principal criteria to be used in evaluating REC RFP proposals will be lowest evaluated bid price. In the event of identical low bids, the Company will allocate the offered RECs to all bidders with identical prices based on the quantities bid and the quantities solicited. For example, the Company solicits 5,000 RECs and receives two identical low bid prices. Bidder A offers 5,000 RECs and Bidder B offers 2,500 RECs. Bidder A will receive 3,333 RECs ( $5,000 / 7,500 * 5,000$ ) and Bidder B will receive 1,667 RECs ( $2,500 / 7,500 * 5,000$ ).

D. The Company may also evaluate unsolicited offers from brokers or other parties.

E. If the Company still has an obligation shortfall in a calendar year, the Company will make an Alternative Compliance Payment to the RI Economic Development Corporation for the unmet obligation.

**IV. New RES Requirement and Forecast of RECs from Long Term Renewable Contracts**

The chart below shows a projection of the New RES requirement over the next 20 years compared to the estimated output of RECs obtained through the Long Term Renewable Contracts.





**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
RIPUC DOCKET NO. 4556  
2016 STANDARD OFFER SERVICE PROCUREMENT PLAN  
2016 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN  
WITNESS: MARGARET M. JANZEN  
SCHEDULES**

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Schedule 8  
Certificate Purchase Agreement (CPA)

## RHODE ISLAND CERTIFICATE PURCHASE AGREEMENT

This **CERTIFICATE PURCHASE AGREEMENT** (“Agreement”) is dated as of \_\_\_\_\_ and is by and between **THE NARRAGANSETT ELECTRIC COMPANY d/b/a “National Grid”**, a Rhode Island corporation (“Buyer”) and \_\_\_\_\_ a \_\_\_\_\_ Corporation (“Seller”). This Agreement provides for the sale by Seller of NEPOOL-GIS Certificates, as defined herein, to Buyer. The Buyer and Seller are referred to herein individually as a “Party” and collectively as the “Parties”.

### **ARTICLE 1. BASIC UNDERSTANDINGS**

Seller, in response to a Request for Proposal dated [DATE] issued by the Buyer, has been selected to supply a quantity of NEPOOL-GIS Certificates to meet a portion of the Buyer’s requirements to comply with the RES Regulations, as defined herein. This Agreement sets forth the terms under which Seller will supply a quantity of NEPOOL-GIS Certificates to the Buyer. It is the intent of Buyer and Seller that the transactions hereunder shall meet the Commodity Futures Trading Commission's criteria for the forward contract exclusion, including that the Parties intend to physically settle the transactions, and are therefore not subject to swap regulation.

### **ARTICLE 2. DEFINITIONS**

As used in this Agreement, the following terms shall have the meanings specified in this Article. In addition, except as otherwise expressly provided, terms with initial capitalization used in this Agreement and not defined herein shall have the meaning as defined in the NEPOOL Rules.

**Affiliate** means, with respect to any Party, any entity (other than a person) that, directly or indirectly, controls, or is controlled by or is under common control with such Party. For this purpose, “control” means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

**Alternative Compliance Payment Rate means** the value as published by the Rhode Island Public Utilities Commission in accordance with Section 3.2 of the RES Regulations.

**Business Day** means a 24-hour period ending at 5:00 p.m. EPT, other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in Providence, Rhode Island are authorized by law or other governmental action to close.

**Buyer** means The Narragansett Electric Company, its successors, assigns, employees, agents and authorized representatives.

**Commission** means the Federal Energy Regulatory Commission, or its successor.

**Credit Rating** means with respect to a Party (or its Credit Support Provider, as the case may be) or entity, on any date of determination, (1) the ratings assigned by Moody’s, S&P and/or the other specified rating agency or agencies to such Party’s (or its Credit Support Provider’s, as the

case may be) or entity's unsecured, senior long-term debt not supported by third party credit enhancement, or (2) if the applicable entity does not have such a rating, then the rating assigned to such entity by Moody's and/or S&P as its corporate credit rating or issuer rating, or (3) if the applicable entity is a financial institution, its unsecured, unsubordinated, long-term deposits by Moody's, S&P and/or the other specified rating agency or agencies. In the event of an inconsistency in ratings by the rating agencies (a "split rating"), the lowest rating assigned shall control.

**Credit Support Provider** means the entity providing a guaranty substantially in the form set forth in Appendix A of this Certificate Purchase Agreement guaranteeing the financial obligations of a Party for the benefit of the other Party.

**EPT** means Eastern Prevailing Time.

**Existing Renewable Energy Resource** means as defined in Section 3.10 of the RES Regulations.

**Generating Unit** means [\_\_\_\_\_].

**Governing Documents** means, with respect to any particular entity, (a) if a corporation, the (i) articles of organization, articles of incorporation or certificate of incorporation and (ii) the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles or certificate of organization or formation and operating agreement; (e) if another type of entity, any other charter or similar document adopted or filed in connection with the creation, formation or organization of such entity; (f) all equity holders' agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any entity or relating to the rights, duties and obligations of the equity holders of any entity; and (g) any amendment or supplement to any of the foregoing.

**Interest Rate** means, for any date, the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in *The Wall Street Journal* under "Money Rates" on such day (or if not published on such day, on the most recent preceding day on which published), plus two percent (2%) and (b) the maximum rate permitted by applicable law.

**Investment Grade** means (i) if any entity has a Credit Rating from both S&P and Moody's then, a Credit Rating from S&P equal to "BBB-" and a Credit Rating from Moody's equal to "Baa3"; or (ii) if an entity has a Credit Rating from only one of S&P and Moody's, then a Credit Rating from S&P equal to "BBB-" or a Credit Rating from Moody's equal to "Baa3 or (iii) if the Parties have mutually agreed in writing on an additional or alternative rating agency, then a credit rating equal to that mutually agreed to in writing by the Parties in each Party's sole and exclusive judgment.

**ISO** means ISO New England Inc., authorized by the Commission to exercise for New England the functions required pursuant to the Commission's Order No. 2000 (and its progeny) and the Commission's regulations, and any successor organization (including, but not limited to, a Regional Transmission Organization).

**ISO Tariff** means the ISO New England Inc. Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3, as amended, modified, superseded and supplemented from time to time, and including the Market Rules and Procedures.

**ISO New England Operating Documents** means the ISO Tariff and the ISO New England Operating Procedures, as amended, modified, superseded and supplemented from time to time.

**Market Rules and Procedures** means the Market Rules, Manuals and Procedures adopted by the ISO and/or NEPOOL, as may be amended from time to time, and as administered by the ISO to govern the operation of the NEPOOL markets.

**Material Adverse Effect** means, with respect to a Party, any change in or effect on such Party after the date of this Agreement that is materially adverse to the transactions contemplated hereby, excluding any change or effect resulting from (a) changes in the international, national, regional or local wholesale or retail markets for electric power; (b) changes in the international, national, regional or local markets for any fuel; (c) changes in the North American, national, regional or local electric transmission or distribution systems; and (d) any action or inaction by a governmental authority, but in any such case not affecting the Parties or the transactions contemplated hereby in any manner or degree significantly different from others in the industry as a whole.

**Moody's** means Moody's Investors Service, its successors and assigns.

**MWh** means Megawatt-hour.

**NEPOOL-GIS** means the NEPOOL Generation Information System, which includes a generation information database and certificate system, operated by NEPOOL, its designee or successor entity, that accounts for generation attributes of electricity consumed within New England.

**NEPOOL-GIS Certificates** means an electronic record produced by the NEPOOL-GIS that identifies the relevant generation attributes of each MWh accounted for in the NEPOOL-GIS that complies with the RES Regulations. NEPOOL-GIS Certificates shall represent the Generation Attributes (as such term is defined in the RES Regulations) of either New Renewable Energy Resources or Existing Renewable Energy Resources and conform to the eligibility criteria set forth in the RES Regulations, and shall represent title to and claim over all environmental attributes associated with the specified MWh of generation from either a New Renewable Energy Resource or Existing Renewable Energy Resource.

**NEPOOL-GIS Certificate Purchase Price** means \_\_\_\_\_.

**NEPOOL-GIS Certificate Quantity** means \_\_\_\_\_.

**NEPOOL Agreement** means the Second Restated New England Power Pool Agreement dated as of February 1, 2005, as amended or accepted by the Commission and as may be amended, modified, superseded, supplemented and/or restated from time to time.

**NEPOOL GIS Operating Rules** means the New England Power Pool Generation Information System Operating Rules as may be amended from time to time pursuant to the NEPOOL Agreement.

**NEPOOL Rules** means all rules adopted by NEPOOL or the ISO, as such rules may be amended, modified, supplemented or superseded and restated from time to time, including but not limited to, the NEPOOL Agreement, the ISO Tariff, the ISO New England Operating Documents, the Transmission Operating Agreement, the Participants Agreement, the NEPOOL Manuals, and the NEPOOL Operating Procedures, as amended, superseded or restated from time to time.

**Net Worth** means total assets, exclusive of intangible assets, less total liabilities, as reflected on the most recent balance sheet prepared by a certified public accountant as part of a certified financial statement in accordance with generally accepted accounting principles consistently applied in the business sector of the Seller.

**New Renewable Energy Resource** means as defined in Section 3.23 of the RES Regulations.

**RES** means Renewable Energy Standard.

**RES Regulations** means the Rules and Regulations Governing The Implementation Of A Renewable Energy Standard promulgated pursuant to the Renewable Energy Standard Law Section 39-26-1 et seq. of the General Laws of Rhode Island that implement a Renewable Energy Standard to facilitate the development of renewable energy resources for the benefit of customers in Rhode Island.

**RIPUC** means the Rhode Island Public Utilities Commission, or its successor.

**Security Amount** means the sum of:

- A) the product of (i) the RES Existing NEPOOL-GIS Certificate Quantity in a year and (ii) the positive difference between the RES Existing Alternative Compliance Payment Rate and the RES Existing NEPOOL-GIS Certificate Purchase Price, plus
- B) the product of (i) the RES New NEPOOL-GIS Certificate Quantity in a year and (ii) the positive difference between the RES New Alternative Compliance Payment Rate and the RES New NEPOOL-GIS Certificate Purchase Price

**S&P** means Standard & Poor's Rating Group, its successors and assigns.

**Trading Period** means the term as defined in the NEPOOL GIS Operating Rules.

**Vintage** means the calendar year that a NEPOOL-GIS Certificate represents as the relevant generation attributes for an energy resource.

### ARTICLE 3. **Effective Date; Filing Obligation; Term**

Buyer will file the results of the RES solicitation with the RIPUC no later than one Business Day after pricing was submitted.

The term of this Agreement (“Term”) shall commence on the Effective Date and expire effective on the later of (i) the date on which all performances of the Parties under this Agreement have been completed, including, but not limited to, the delivery of all NEPOOL GIS-Certificates and the payment of all amounts due as required by this Agreement, and (ii) the date that all disputes, if any, arising under this Agreement are resolved in a final manner. As of the expiration of this Agreement or, if earlier, its termination, the Parties shall no longer be bound by the terms and provisions hereof, except (a) to the extent necessary to enforce the rights and obligations of the Parties arising under this Agreement before such expiration or termination and (b) the obligations of the Parties hereunder with respect to audit rights, remedies for default, damages claims, indemnification and defense of claims shall survive the termination or expiration of this Agreement to the full extent necessary for their enforcement and the protection of the Party in whose favor they run, subject to any time limits specifically set forth in this Agreement with respect thereto.

#### **ARTICLE 4. SALE AND PURCHASE**

##### **Section 4.1 Provision Delivery and Receipt**

Seller shall sell and deliver and the Buyer shall purchase and receive RES New and Existing NEPOOL-GIS Certificates equal in number to the corresponding RES New and Existing NEPOOL-GIS Certificate Quantity. Seller shall utilize the NEPOOL-GIS to transfer the number of NEPOOL-GIS Certificates required to be transferred hereunder for each Trading Period to an account within the NEPOOL-GIS designated by the Buyer at least five (5) Business Days prior to the end of the applicable Trading Period.

##### **Section 4.2 Seller Representations and Warranties:**

###### **Seller represents, warrants, and agrees that:**

- (a) The NEPOOL-GIS Certificates sold and delivered to the Buyer’s account under this Agreement are and shall be free and clear of any liens, encumbrances and title defects;
- (b) Seller has obtained, and will maintain, all necessary regulatory approvals required to enable it to provide the NEPOOL-GIS Certificates as required by this Agreement and that the NEPOOL-GIS Certificates sold hereunder are and will be compliant with the RES Regulations; and
- (c) The NEPOOL-GIS Certificates sold hereunder have not been, and shall not be, sold, retired, claimed or represented as part of electricity output or sales, or used to satisfy obligations in any other jurisdiction.

#### **ARTICLE 5. AMOUNT, BILLING and PAYMENT**

##### **Section 5.1 Amount**

The amount payable by Buyer to Seller for NEPOOL-GIS Certificates shall be the sum of:

- A) the product of (a) the number of RES Existing NEPOOL-GIS Certificates transferred and confirmed during a Trading Period and (b) the RES Existing NEPOOL-GIS Certificate Purchase Price for such Trading Period, plus
- B) the product of (a) the number of RES New NEPOOL-GIS Certificates transferred and confirmed during a Trading Period and (b) the RES New NEPOOL-GIS Certificate Purchase Price for such Trading Period.

#### Section 5.2 Billing and Payment

(a) After each NEPOOL-GIS Certificate transfer has been confirmed, the Seller shall calculate the amount due and payable to Seller pursuant to this Article and provide an invoice ("Invoice") for such amount. The Invoice shall be provided to the Buyer and shall include sufficient detail for the Buyer to verify its formulation and computation.

(b) The Buyer shall pay Seller the amount due and owing in accordance with Section 5.1 on the fifteenth (15th) Business Day after receiving the Invoice (the "Due Date"). If all or any part of such amount remains unpaid after the Due Date, interest shall accrue after but not including the Due Date and be payable to Seller on such unpaid amount at a rate per annum equal to the Interest Rate in effect on the Due Date.

(c) Each Party shall notify the other Party upon becoming aware of any error in an Invoice (whether the amount is paid or not) and Seller shall promptly issue a corrected Invoice. Overpayments shall be returned by the receiving Party upon request or deducted by the receiving Party from subsequent invoices, with interest accrued at a rate per annum equal to the Interest Rate in effect on the Due Date from the date of the receipt of the overpayment until the date paid or deducted.

#### Section 5.3 Challenge to Invoices

Unless otherwise agreed: (i) either Party may challenge, in writing, the accuracy of Invoices (or the data utilized in the forgoing) and payments no later than twenty-four (24) months after the Due Date of the Invoice in which the disputed information is contained; (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. 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 three (3) Business Days of such determination along with interest accrued at the Interest 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.

#### Section 5.4 Taxes, Fees and Levies

Seller shall be obligated to pay all present and future taxes, fees and levies ("Taxes") which may be assessed by any entity upon the Seller's provision of NEPOOL-GIS Certificates to the Buyer.

**Section 5.5**    Netting and Setoff

Except for security provided pursuant to Section 6.3 (which shall not be considered for purposes of this Section 5.5) and unless otherwise specified in another written agreement between the Parties, if the Parties are required to pay an amount on the same date each to the other under this Agreement or any other agreement between the Parties, such amounts shall be netted, and the Party owing the greater aggregate amount shall pay to the other Party any difference between the amounts owed. Each Party reserves all rights, setoffs, counterclaims and other remedies and defenses (to the extent not expressly herein or therein waived or denied) that such Party has or to which such Party may be entitled arising from or out of this Agreement or such other written agreement. Further, if the Buyer incurs any costs or charges that are the responsibility of Seller under this Agreement, such costs or charges may, at the Buyer's election, be netted against any amount due to Seller under this Agreement. All outstanding obligations to make payment under this Agreement or any other written agreement between the Parties may be netted against each other, set off or recouped there from.

**ARTICLE 6.            DEFAULT AND TERMINATION**

**Section 6.1**    Events of Default

(a)    Any one or more of the following events shall constitute an "Event of Default" hereunder with respect to the Buyer:

(i)    Failure of the Buyer

(A) in any material respect to comply with, observe or perform any covenant, warranty or obligation under this Agreement (but excluding events that are otherwise specifically covered in this Section as a separate Event of Default and except attributable to Seller's' wrongful act or failure to act in breach of this Agreement): and

(B) After receipt of written notice from Seller such failure continues for a period of five (5) Business Days, or, if such failure cannot be reasonably cured within such five (5) Business Day period, such further period as shall reasonably be required to effect such cure (but in no event longer than thirty (30) days), provided that the Buyer (x) commences within such five (5) Business Day period to effect a cure and at all times thereafter proceeds diligently to complete the cure as quickly as possible and (y) provides to Seller written documentation of its efforts and plan to cure and estimated time for completion of the cure.

(b)    Any one or more of the following events shall constitute an "Event of Default" hereunder with respect to Seller:

(i)    Failure of Seller

(A) in any material respect to comply with, observe, or perform any covenant, warranty or obligation under this Agreement (but excluding events that are otherwise specifically covered in this Section as a separate Event of Default and except attributable to the Buyer's wrongful act or wrongful failure to act in breach of this Agreement): and

(B) after receipt of written notice from the Buyer such failure continues for a period of five (5) Business Days, or, if such failure cannot be reasonably cured within such five (5) Business Day period, such further period as shall reasonably be required to effect a cure (but in no event longer than thirty (30) days), provided that Seller (x) commences within such five (5) Business Day period to effect such cure and at all times thereafter proceeds diligently to complete the cure as quickly as possible and (y) provides to Buyer written documentation of its efforts and plan to cure and estimated time for completion of the cure;

- (ii) Failure of Seller to transfer NEPOOL-GIS Certificates in the amounts and/or at the times required by, and otherwise in accordance with, Article 4.
- (iii) Failure of Seller to satisfy its obligation to provide security when due and in accordance with Section 6.3.

(c) Any one or more of the following events with respect to either Party shall constitute an "Event of Default" hereunder with respect to such Party:

- (i) The entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of such Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or (B) a decree or order adjudging such Party as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Party under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of such Party or of any substantial part of its property, or ordering the winding up or liquidation of its affairs;
- (ii) The commencement by such Party of a voluntary case or proceeding, or any filing by a third party of an involuntary case or proceeding against a Party that is not dismissed within thirty (30) days of such third party's filing, under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of such Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other

similar official of a Party or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by such Party in furtherance of any such action; and

- (iii) Any representation or warranty made by a Party is or becomes false or misleading in any material respect.

## Section 6.2 Remedies Upon Default

The Parties shall have the following remedies available to them with respect to the occurrence of an Event of Default with respect to the other Party hereunder:

(a) Upon the occurrence of an Event of Default, the non-defaulting Party shall have the right to (i) continue performance under this Agreement and exercise such rights and remedies as it may have at law, in equity or under this Agreement and seek remedies as may be necessary or desirable to enforce performance and observation of any obligations and covenants under this Agreement, so long as such rights and remedies are not duplicative of any other rights and remedies hereof, and do not otherwise enable the non-defaulting Party to obtain performance or payments in excess of the performance and payments to which it is otherwise entitled pursuant to this Agreement, or (ii) at its option, give such defaulting Party a written notice (a "Termination Notice"). Termination shall be effective on the date set forth in the Termination Notice, which date shall be no more than twenty (20) Business Days after the date such Termination Notice is provided to the Defaulting Party in accordance with Article 7. Termination of this Agreement shall in no way limit or restrict any Party's right to pursue any legal or equitable remedies available to it arising from an Event of Default.

(b) Notwithstanding any other provision of this Agreement, the cure of an Event of Default or failure to comply with, observe or perform any covenant, warranty or obligation under this Agreement within the period provided therefor in this Agreement shall not release such defaulting Party from its liability to indemnify, save harmless and defend the non-defaulting Party for any claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses (including the costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) relating to, arising out of or resulting from such Event of Default or any failure to comply with, observe or perform any covenant, warranty or obligation under this Agreement.

(c) In the event Seller causes or suffers an Event of Default, and the Buyer elects to terminate this Agreement, then, on or before five (5) Business Days following issuance of a Termination Notice by Buyer, Seller shall pay the Buyer an amount equal to the positive amount, if any, equal to the product of (i) the number of NEPOOL-GIS Certificates to be transferred to Buyer under this Agreement during the Term that have not been so transferred ("Undelivered Certificates"), and (ii) the positive difference, if any, of the applicable Alternative Compliance Payment rate or rates determined in accordance with the RES Regulations less the applicable NEPOOL-GIS Certificate Purchase Price the Buyer would have had to pay Seller for each Undelivered Certificate if the same had actually been delivered hereunder as and when required, plus all costs, fees and expenses incurred by Buyer in connection with making Alternative Compliance Payment(s) for the Undelivered Certificates. Seller and Buyer agree that the

foregoing provision is intended to reflect a mutually acceptable measure of damages for such Event of Default.

(d) In the event the Buyer causes or suffers an Event of Default, and Seller elects to terminate this Agreement, then, on or before five (5) Business Days following issuance of the Termination Notice by Seller, the Buyer shall pay Seller the positive amount, if any, equal to the product of (i) the number of NEPOOL-GIS Certificates required to be transferred by Seller under this Agreement during the Term that have not been so transferred (“Untransferred Certificates”) and (ii) the positive difference, if any, of the NEPOOL-GIS Certificate Purchase Price less the average market price as of the date of issuance of such Termination Notice for the number of Untransferred Certificates of a vintage equivalent to the calendar year in which such Untransferred Certificates were to be delivered hereunder as specified in Article 4. Such average market price is to be determined based upon the average of prices quoted by three independent third party brokerage services selected by Seller and reasonably acceptable to the Buyer. Seller and Buyer agree that the foregoing provision is intended to reflect a mutually acceptable measure of damages for such Event of Default.

### Section 6.3 Security

(a) Seller, at all times during the term of this Agreement, shall either (i) maintain (A) a Credit Rating at least equal to Investment Grade (the “Credit Requirements”) or (ii) provide collateral equal to the calculated Security Amount in accordance with Section 6.3(b). Prior to the Commencement Date and at any time upon the request of Buyer, Seller (or its Credit Support Provider at any time that a guaranty delivered pursuant to Paragraph (A) of Subsection (b) of this Section is in effect) shall establish that it meets the Credit Requirements by providing (x) a certificate of an authorized officer, accompanied by supporting certified financial statements and (y) documentation of all Credit Ratings. Seller shall inform the Buyer within one (1) Business Day of any failure of it or its Credit Support Provider (at any time that a guaranty delivered pursuant to Paragraph (A) of Subsection (b) of this Section is in effect) to meet Credit Requirements, or of it being placed by S&P or Moody's on credit watch, under review for a downgrade or with negative implications.

(b) If, at any time during the Term of this Agreement, Seller fails to meet the Credit Requirements, then Seller shall provide collateral (i) equal to the Security Amount to the Buyer; and (ii) in one of the following forms, within five (5) Business Days of the occurrence of such failure to meet the Credit Requirements:

- (A) A guaranty of Seller’s obligations hereunder issued by an Affiliate of Seller that meets the Credit Requirements and in substantially the form set forth in Appendix A attached hereto;
- (B) An irrevocable, transferable standby letter of credit (x) issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least “A-” from S&P or “A3” from Moody’s, (y) in a form acceptable to Buyer, including a provision permitting the Buyer, upon an Event of Default by Seller to draw down, on one or more occasions, in whole or in part, as the case may be, on the letter of credit and also permitting the Buyer to draw down an amount equal to the amount specified in Section 6.2(c) without giving effect to Section 5.5

(Netting and Setoff), and (z) that shall terminate no earlier than 120 days following the later of the termination or expiration of this Agreement. If Seller is required to provide the bank with a guarantee or any other form of financial assurance from one or more other entities to secure its letter of credit obligations, then such entities shall also guarantee all of Seller's obligations to the Buyer under this Agreement;

- (C) U.S. Dollars delivered by wire transfer of immediately available funds; or
- (D) Any alternate form of credit support proposed by Seller that the Buyer deems acceptable, in its sole discretion; provided however, the Buyer is under no obligation to accept any alternate form of credit support and may withhold consent to any such alternate form for any reason.

Section 6.4 Forward Contract.

Each Party represents and warrants to the other that it is a "forward contract merchant" within the meaning of the United States Bankruptcy Code, that this Agreement is a "forward contract" within the meaning of the United States Bankruptcy Code, and that the remedies identified in this Agreement, including but not limited to those specified in Section 6, shall be "contractual rights" as provided for in 11 U.S.C. § 556 as that provision may be amended from time to time.

**ARTICLE 7. NOTICES, REPRESENTATIVES OF THE PARTIES**

Section 7.1 Notices

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. It shall either be sent by facsimile (with receipt confirmed by telephone and electronic transmittal receipt), courier, personally delivered (including overnight delivery service) or mailed, postage prepaid, to the representative of the other Party designated in accordance with this Article. Any such notice, demand, or request shall be deemed to be given (i) when sent by facsimile confirmed by telephone and electronic transmittal receipt, (ii) when actually received if delivered by courier or personal delivery (including overnight delivery service) or (iii) seven (7) days after deposit in the United States mail, if sent by first class mail return receipt requested.

Notices and other communications by Seller to the Buyer shall be addressed to:

Director, Wholesale Electric Supply  
National Grid  
100 East Old Country Road  
Hicksville, NY 11801  
(516) 545-3282 (phone)  
(516) 545-2464 (fax)

and

With a copy to:

General Counsel  
National Grid  
40 Sylvan Road  
Waltham, MA 02451-1120  
(781) 907-1000 (phone)  
(781) 907-5701 (fax)

Notices and other communications by the Buyer to Seller shall be addressed to:

[Name]  
[Company]  
[Address]  
[City, State & Zip]  
[Phone]  
[FAX]

Any Party may change its representative or address for notices by written notice to the other Party; however such notice shall not be effective until it is received by the other Party.

#### Section 7.2 Authority of Representative

The Parties' representatives shall have full authority to act for their respective Party in all matters relating to the performance of this Agreement. Notwithstanding the foregoing, a Party's representative shall not have the authority to amend, modify, or waive any provision of this Agreement unless they are duly authorized officers of their respective entities and such amendment, modification or waiver is made in accordance with Article 15.

### **ARTICLE 8. LIABILITY; INDEMNIFICATION; RELATIONSHIP OF PARTIES**

#### Section 8.1 Limitation on Consequential, Incidental and Indirect Damages

EXCEPT AS EXPRESSLY PROVIDED IN SECTION 8.2, TO THE FULLEST EXTENT PERMISSIBLE BY LAW, NEITHER THE BUYER NOR SELLER, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, PARENT OR AFFILIATES, SUCCESSOR OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES, SUCCESSORS, OR ASSIGNS, SHALL BE LIABLE TO THE OTHER PARTY OR ITS PARENT, SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES (INCLUDING ATTORNEY'S FEES OR LITIGATION COSTS EXCEPT AS EXPRESSLY PROVIDED IN 13.2 AND IN ACCORDANCE WITH THE LIMITATION THEREUNDER) CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ANY SUCH

DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, OR ANY OTHER THEORY OF RECOVERY. THE PROVISIONS OF THIS SECTION SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS AGREEMENT.

#### Section 8.2 Indemnification

(a) Seller agrees to defend, indemnify and save the Buyer, its officers, directors, employees, agents, successors, assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of a representation or warranty or failure to perform any covenant or agreement in this Agreement by Seller, (b) any violation of applicable law, regulation or order by Seller, (c) any act or omission by Seller with respect to this Agreement, first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee, or Affiliate of the Buyer or its respective successors or assigns.

(b) The Buyer agrees to defend, indemnify and save Seller, its officers, directors, employees, agents, successors, assigns, and Affiliates and their officers, directors, employees and agents harmless from and against any and all third-party claims, suits, actions or causes of action and any resulting losses, damages, charges, costs or expenses, (including reasonable attorneys' fees and court costs), arising from or in connection with any (a) breach of representation or warranty or failure to perform any covenant or agreement in this Agreement by said Buyer, (b) any violation of applicable law, regulation or order by Buyer, (c) any act or omission by the Buyer, with respect to this Agreement first arising, occurring or existing during the term of this Agreement, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee or Affiliate of Seller or its respective successors or assigns.

(c) If any Party intends to seek indemnification under this Section from the other Party with respect to any action or claim, the Party seeking indemnification shall give the other Party notice of such claim or action within thirty (30) days of the later of the commencement of, or actual knowledge of, such claim or action; provided, however, that in the event such notice is delivered more than thirty (30) days after the Party seeking indemnification knows of such claim or action, the indemnifying Party shall be relieved of its indemnity hereunder only if and to the extent such indemnifying Party was actually prejudiced by such delay. The Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such claim or action. The Party seeking indemnification shall not compromise or settle any such claim or action without the prior consent of the other Party, which consent shall not be unreasonably withheld.

#### Section 8.3 Independent Contractor Status

Nothing in this Agreement shall be construed as creating any relationship between the Buyer and Seller other than that of independent contractors for the sale and delivery of NEPOOL-GIS Certificates.

## **ARTICLE 9. ASSIGNMENT**

### **Section 9.1 General Prohibition Against Assignments**

Except as provided in Section 9.2, neither Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld.

### **Section 9.2 Exceptions to Prohibition Against Assignments**

(a) Seller may, without the Buyer's prior written consent, collaterally assign this Agreement in connection with financing arrangements provided that any such collateral assignment that provides for the Buyer to direct payments to the collateral agent (i) shall be in writing, and (ii) shall not be altered or amended without prior written notice to the Buyer from both Seller and the collateral agent; provided, that, any payment made by the Buyer to the collateral agent shall discharge the Buyer's obligation as fully and to the same extent as if it had been made to the Seller. Seller must provide the Buyer at least ten (10) days advance written notice of collateral assignment and provide copies of any such assignment and relevant agreements or writings.

(b) The Buyer may assign all or a portion of its rights and obligations under this Agreement to any Affiliate of the Buyer without consent of Seller. Either Party may, upon written notice, assign its rights and obligations hereunder, or transfer such rights and obligations by operation of law, to any entity with which or into which such Party shall merge or consolidate or to which such Party shall transfer all or substantially all of its assets, provided that such other entity agrees to be bound by the terms hereof and provided further, that such other entity's creditworthiness is comparable to or higher than that of such Party at the time this Agreement was executed and such Party is not relieved of any obligation or liability hereunder as a result of such assignment

## **ARTICLE 10. SUCCESSORS AND ASSIGNS**

This Agreement shall inure to the benefit of, and shall be binding upon the Parties hereto and their respective successors and permitted assigns.

## **ARTICLE 11. WAIVERS**

No delay or omission in the exercise of any right under this Agreement shall impair any such right or shall be taken, construed or considered as a waiver or relinquishment thereof, but any such right may be exercised from time to time and as often as may be deemed expedient. The waiver of any single breach or default of any term or condition of this Agreement shall not

be deemed to constitute the waiver of any other prior or subsequent breach or default of the Agreement or any other term or condition.

## **ARTICLE 12. LAWS AND REGULATIONS**

(a) This Agreement and all rights, obligations, and performances of the Parties hereunder, are subject to all applicable federal and state laws, and to all duly promulgated orders and other duly authorized action of governmental authorities having jurisdiction hereof.

(b) The rates, terms and conditions contained in this Agreement are not subject to change under Section 205 of the Federal Power Act as that section may be amended or superseded, absent the mutual written agreement of the Parties. Each Party irrevocably waives its rights, including its rights under §§ 205-206 of the Federal Power Act, unilaterally to seek or support a change in the rate(s), charges, classifications, terms or conditions of this Agreement or any other agreements entered into in connection with this Agreement. By this provision, each Party expressly waives its right to seek or support: (i) an order from the Commission finding that the market-based rate(s), charges, classifications, terms or conditions agreed to by the Parties in the Agreement are unjust and unreasonable; or (ii) any refund with respect thereto. Each Party agrees not to make or support such a filing or request, and that these covenants and waivers shall be binding notwithstanding any regulatory or market changes that may occur hereafter and that it shall not challenge or support a challenge to the enforceability of the waiver in this Section (b).

(c) Absent the agreement of all Parties to a proposed change, the standard of review for changes to this Agreement proposed by a non-party or the Commission acting *sua sponte* shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the "Mobile-Sierra" doctrine).

(d) The Parties agree that, if and to the extent that the Commission adopts a final rule or order which requires that, in order to exclude application of the just and reasonable standard of review and to mandate application of the public interest standard of review under the Mobile-Sierra doctrine for a proposed change to this Agreement which is not agreed to by all Parties, the Parties must agree to language which varies from that set forth in Article 12(c) then, without further action of either Party, Article 12(c) will be deemed amended to incorporate the specific language required by such final rule or order as is necessary to have the public interest standard of review under the Mobile-Sierra doctrine apply to any proposed change to this Agreement to which all Parties do not agree.

(e) Nothing in this Article 12 is intended to modify any Party's right to enforce the terms of this Agreement as written.

## **ARTICLE 13. INTERPRETATION, DISPUTE RESOLUTION**

### **Section 13.1 Governing Law**

The Agreement shall be governed by, and construed and performed in accordance with, the laws of the State of Rhode Island, without giving effect to its conflict of laws principles.

## Section 13.2 Dispute Resolution

All disputes between the Buyer and Seller under this Agreement shall be referred, upon notice by one Party to the other Party, to a senior manager of Seller designated by Seller, and a senior manager of the Buyer designated by the Buyer, for resolution on an informal basis as promptly as practicable. In the event the designated senior managers are unable to resolve the dispute within ten (10) days of receipt of the notice, or such other period to which the Parties may jointly agree, such dispute shall be submitted to arbitration and resolved in accordance with the arbitration procedure set forth in this Section. The arbitration shall be conducted in Boston, Massachusetts before a single neutral arbitrator mutually agreed to and appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, Seller and the Buyer shall each choose one arbitrator, who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within ten (10) days select a third arbitrator to act as chairman of the arbitration panel. In either case, the arbitrator(s) shall be knowledgeable in electric utility matters, including wholesale power transactions and power market issues, and shall not have any current or past material business or financial relationships with either Party or a witness for either Party and shall not have a direct or indirect interest in any Party or the subject matter of the arbitration. The arbitrator(s) shall afford each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the then-current arbitration rules of the CPR Institute for Dispute Resolution (formerly known as the Center for Public Resources), unless otherwise mutually agreed by the Parties. There shall be no formal discovery conducted in connection with the arbitration unless otherwise mutually agreed by the Parties; provided, however, that the Parties shall exchange witness lists and copies of any exhibits that they intend to utilize in their direct presentations at any hearing before the arbitrator(s) at least ten (10) days prior to such hearing, along with any other information or documents specifically requested by the arbitrator(s) prior to the hearing. Any offer made and the details of any negotiations to resolve the dispute shall not be admissible in the arbitration or otherwise. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of his, her or their appointment and shall notify the Parties in writing of such decision and the reasons therefore, and shall make an award apportioning the payment of the costs and expenses of arbitration among the Parties; provided, however, that each Party shall bear the costs and expenses of its own attorneys, expert witnesses and consultants unless the arbitrator(s), based upon a determination of good cause, awards attorneys fees and legal and other costs to the prevailing Party. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change the Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction, subject expressly to Section 13.3. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act. Nothing in this paragraph shall impair the ability of a Party to exercise any rights or remedy it has under this Agreement, including those in Article 6. To the fullest extent permitted by law, any arbitration proceeding and the arbitrator's award shall be maintained in confidence by the Parties; provided, however, that either Party, or any of its Affiliates, may provide information regarding the arbitration without limitation to any regulatory agency requesting or requiring such information or to a court in a proceeding to confirm, appeal (as such appeal is limited hereby) or enforce the award; provided, further, that any such provision of information must include a request for confidential treatment

### Section 13.3 Venue; Waiver of Jury Trial

Each Party hereto irrevocably (i) submits to the exclusive jurisdiction of the federal and state courts located in the State of Rhode Island; (ii) waives any objection which it may have to the laying of venue of any proceedings brought in any such court; and (iii) waives any claim that such proceedings have been brought in an inconvenient forum. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.

### **ARTICLE 14. SEVERABILITY**

Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change will not otherwise affect the remaining provisions and lawful obligations that arise under this Agreement. If any provision of this Agreement, or the application thereof to any Party or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (b) the remainder of this Agreement and the application of such provision or circumstances shall not be affected by such invalidity or unenforceability.

### **ARTICLE 15. MODIFICATIONS**

No modification or amendment of this Agreement will be binding on any Party unless it is in writing and signed by both Parties.

### **ARTICLE 16. ENTIRE AGREEMENT**

This Agreement, including the Appendices, the tariffs and agreements referred to herein or therein, embody the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. It is expressly acknowledged and agreed that there are no restrictions, promises, representations, warranties, covenants or undertakings contained in any material provided or otherwise made available by the Seller or the Buyer to each other. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated hereby.

### **ARTICLE 17. COUNTERPARTS**

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

## **ARTICLE 18. INTERPRETATION; CONSTRUCTION**

The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. For purposes of this Agreement, the term "including" shall mean "including, without limitation". The Parties acknowledge that, each Party and its counsel have reviewed and or revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement, and it is the result of joint discussion and negotiation.

## **ARTICLE 19. REPRESENTATIONS; WARRANTIES AND COVENANTS**

Each Party represents to the other Party, upon execution and continuing throughout the term of this Agreement, as follows:

(a) It is duly organized in the form of business entity set forth in the first paragraph of this Agreement, validly existing and in good standing under the laws of its state of its organization and has all requisite power and authority to carry on its business as is now being conducted, including all regulatory authorizations as necessary for it to legally perform its obligations hereunder.

(b) It has full power and authority to execute and deliver this Agreement and to consummate and perform the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by it, and, assuming that this Agreement constitutes a valid and binding agreement of the other Party, constitutes its valid and binding agreement, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, or the terms of any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument to which it is bound, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

(d) No declaration, filing with, notice to, or authorization, permit, consent or approval of any governmental authority is required for the execution and delivery of this Agreement by it or the performance by it of its obligations hereunder, other than such declarations, filings, registrations, notices, authorizations, permits, consents or approvals which, if not obtained or made, will not, in the aggregate, have a Material Adverse Effect.

(e) Neither the execution and delivery of this Agreement by it will nor the performance by it of its obligations under this Agreement will or does (i) conflict with or result in any breach of any provision of its Governing Documents, (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which it or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound, except for such defaults (or rights of termination, cancellation or acceleration) as to

which requisite waivers or consents have been obtained or which, in the aggregate, would not have a Material Adverse Effect; or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to it, which violation would have a Material Adverse Effect.

(f) There are no claims, actions, proceedings or investigations pending or, to its knowledge, threatened against or relating to it before any governmental authority acting in an adjudicative capacity relating to the transactions contemplated hereby that could have a Material Adverse Effect. It is not subject to any outstanding judgment, rule, order, writ, injunction or decree of any court or governmental authority which, individually or in the aggregate, would create a Material Adverse Effect.

(g) There are no bankruptcy, insolvency, reorganization, receivership or other similar proceedings pending or being contemplated by it, or of its knowledge threatened against it.

(h) It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party hereto, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Agreement.

## **ARTICLE 20. CONSENTS AND APPROVALS**

The Parties shall cooperate so that each Party may take such actions as necessary and required for the other Party to effectuate and comply with this Agreement including to (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, and (iii) use all commercially reasonable efforts to obtain all necessary consents, approvals and authorizations of all other entities, in the case of each of the foregoing clauses (i), (ii) and (iii), necessary or advisable to consummate the transactions contemplated by this Agreement. The Buyer shall have the right to review and approve in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing, press release or public announcement made in connection with the transactions contemplated hereby.

## **ARTICLE 21. SURVIVAL**

Subject to Section 3(b), as of the expiration of this Agreement in accordance with Article 3 or, if earlier, its termination, the Parties shall no longer be bound by the terms and provisions hereof, except (a) to the extent necessary to enforce the rights and obligations of the Parties arising under this Agreement before such expiration or termination and (b) the obligations of the Parties hereunder with respect to indemnification and defense of claims.

## **ARTICLE 22. CONFIDENTIALITY**

Neither Seller nor the Buyer shall provide copies of [BIDDERS: Insert sections -] or disclose the contents or terms thereof, (the "Confidential Terms") to any third party without the prior written consent of the other Party; provided, however, that either Party may provide a copy of the Confidential Terms, in whole or in part to (1) any regulatory agency requesting and/or requiring such Confidential Terms, provided that any such disclosure must include a request for confidential

treatment of the Confidential Terms, and (2) an Affiliate if related to the Party's performance of its obligations hereunder, provided that such Affiliate agrees to treat the Confidential Terms as confidential in accordance with this clause.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

**THE NARRAGANSETT ELECTRIC COMPANY**

\_\_\_\_\_  
Name (print): \_\_\_\_\_  
Authorized Signatory

**[COMPANY]**

\_\_\_\_\_  
Name (print): \_\_\_\_\_  
Title: \_\_\_\_\_

**APPENDIX A  
FORM OF GUARANTY**

Guaranty

This Guaranty (this “Guaranty”), dated effective as of [\_\_\_\_\_], **YEAR** (the “Effective Date”), is made and entered into by [ \_\_\_\_\_ ], a [ \_\_\_\_\_ ] corporation (“Guarantor”).

**WITNESSETH:**

WHEREAS, The Narragansett Electric Company (“the Buyer”) and [ \_\_\_\_\_ ], a corporation organized under the laws of the State of [ \_\_\_\_\_ ] (“Seller”) and a [ \_\_\_\_\_ ] of Guarantor, have entered into the Certificate Purchase Agreement dated as of [ \_\_\_\_\_ ], 2008 (as such agreement may be amended and modified by the Buyer and Seller from time to time, the “Agreement”); and

WHEREAS, Guarantor will directly or indirectly benefit from the Agreement between Seller and the Buyer;

NOW THEREFORE, in consideration of the Buyer entering into the Agreement, Guarantor hereby covenants and agrees as follows:

- (1) **GUARANTY.** Subject to the provisions hereof, Guarantor hereby irrevocably and unconditionally guarantees the full and faithful timely performance and payment when due of the obligations of Seller that are now due or may hereafter become due and payable to the Buyer under the Agreement (the “Obligations”). This Guaranty shall constitute a guarantee of performance and payment and not of collection. The liability of Guarantor under this Guaranty shall be specifically limited to performance and payments expressly required to be made under the Agreement (even if such payments are or are deemed to be damages) as well as costs of collection and enforcement of this Guaranty (including attorney’s fees) to the extent reasonably and actually incurred by the Buyer but in no event shall Guarantor be subject hereunder to consequential, exemplary, equitable, loss of profits, punitive or tort damages, or, except to the extent specifically provided in the Agreement, any other damages.
  
- (2) **DEMANDS AND NOTICE.** Upon the occurrence and during the continuance of an Event of Default or termination, as may be defined in the Agreement, if Seller fails or refuses to perform or pay any Obligations and the Buyer elects to exercise its rights under this Guaranty, the Buyer shall make a demand upon Guarantor (hereinafter referred to as a “Demand”). A Demand shall be in writing and shall reasonably and briefly specify in what manner and what amount Seller has failed to perform or pay and an explanation of why such performance or payment is due, with a specific statement that the Buyer is calling upon Guarantor to perform and/or pay under this Guaranty. A Demand satisfying the foregoing requirements shall be required with respect to Obligations before Guarantor is required to perform or pay (free of any deductions or withholdings) such Obligations hereunder and shall be deemed sufficient notice to Guarantor that it must perform the Obligations within two (2) Business Days, or pay the Obligations within five (5) Business Days, after its receipt of the Demand. A single written Demand shall be effective as to any specific default during the continuance of such default, until Seller or Guarantor has cured such default, and additional written

demands concerning such default shall not be required until such default is cured. As used herein, the term "Business Day" shall mean a day on which commercial banks or financial institutions are open for business in the State of Rhode Island.

- (3) REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants that:
- (a) it is a corporation duly organized and validly existing and in good standing under the laws of the State of [ ] and has the corporate power and authority to execute, deliver and carry out the terms and provisions of the Guaranty;
  - (b) the execution, delivery and performance of this Guaranty and each transaction contemplated by this Guaranty, do not and will not (with or without the lapse of time, the giving of notice or both), contravene, conflict with or result in a breach of or default under any provision of its constitutional or organizational documents or any writ, order, judgment, law, rule or regulation to which it is a party or is subject or by which it is bound; and
  - (c) no authorization, approval, consent or order of, or registration or filing with, any court or other governmental body having jurisdiction over Guarantor is required on the part of Guarantor for the execution and delivery of this Guaranty; and
  - (d) this Guaranty, when executed and delivered, will constitute a valid and legally binding agreement of Guarantor, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.
- (4) SETOFFS AND COUNTERCLAIMS. Without limiting Guarantor's own defenses and rights hereunder, Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which Seller or any other affiliate of Guarantor is or may be entitled to arising from or out of the Agreement or otherwise, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of Seller, the lack of power or authority of Seller to enter into, amend and/or perform the Agreement, or waiver or consent with respect to any provision thereof, or a claim as to the Agreement's validity regularity or enforceability, or any similar circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor generally.
- (5) AMENDMENT OF GUARANTY. No term or provision of this Guaranty shall be amended, modified, altered, waived or supplemented except in a writing signed by Guarantor and the Buyer.
- (6) WAIVER; TERMINATION. Except as required in Section 2 above, Guarantor hereby waives (a) notice of acceptance of this Guaranty; (b) presentment, demand and notice of dishonor concerning the liabilities of Guarantor; and (c) any right to require that any action or proceeding be brought against Seller or any other person, or to require that the Buyer exhaust its remedies against Seller or seek enforcement of any performance against Seller or any other person, or against any collateral pledged by Seller or any other person liable for payment or performance of the Obligations, prior to any action against Guarantor under the terms hereof. Buyer shall not be obligated to file any claim relating to the Obligations in the event that Seller becomes subject to a

bankruptcy, reorganization or similar proceeding, and the failure of the Buyer to so file shall not affect the Guarantor's obligations hereunder.

Except as to applicable statutes of limitation, no delay of the Buyer in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights or a release of Guarantor from any obligations hereunder.

Guarantor consents to the renewal, compromise, extension, acceleration or other changes, including, without limitation, in the time of payment of and other changes in, the terms of the Obligations, or any part thereof and amendments thereto, or any changes and modifications to the terms of the Agreement or waivers thereunder.

Guarantor shall not be discharged or released from its obligations hereunder by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Seller or by any defense which Seller may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding. Guarantor agrees that this Guaranty shall continue to be effective or shall be reinstated, as the case may be, if all or any part of any payment made hereunder or made by Seller in connection with the Agreement is at any time avoided or rescinded or must otherwise be restored or repaid by the Buyer as a result of the bankruptcy of Seller, or otherwise, all as though such payments had not been made.

This Guaranty and the Guarantor's obligations hereunder shall remain in effect for the Term of the Agreement.

NOTICE. Any Demand, notice, request, instruction, correspondence or other document to be given hereunder by any party to another (herein collectively called "Notice") shall be in writing and delivered personally or mailed by certified mail, postage prepaid and return receipt requested, or by telegram or facsimile, as follows:

To the Buyer:

Director, Wholesale Electric Supply  
National Grid  
100 East Old Country Road

Hicksville, NY 11801

Fax No.: (516) 545-2464  
Phone No.: (516) 545-3282

To Guarantor:

Fax No.:

Phone No.:

Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next Business Day after receipt if not received during the recipient's normal business hours. Notice given by facsimile shall be effective upon (i) actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next Business Day after receipt if not received during the recipient's normal business hours and (ii) confirmation of receipt by telephone. All Notices by telegram or facsimile shall be confirmed promptly after transmission in writing by certified mail or personal delivery. Any party may change

any address to which Notice is to be given to it by giving notice in accordance with the requirements of this Section.

MISCELLANEOUS. This Guaranty shall in all respects be governed by, and construed in accordance with, the law of the State of Rhode Island, without regard to principles of conflicts of laws.

This Guaranty shall be binding upon Guarantor and its successors and permitted assigns and inure to the benefit of and be enforceable by the Buyer and its successors and permitted assigns. The Guarantor may not assign this Guaranty in part or in whole without the prior written consent of the Buyer. The Buyer may not assign its rights or benefits under this Guaranty in part or in whole except (i) with the prior written consent of the Guarantor, or (ii) pursuant to a permitted assignment of Agreement (“Assigned Agreement”), in which case the assignee will succeed to the rights of the Buyer hereunder arising after the date of such assignment. Neither the Guarantor nor the Buyer will unreasonably withhold or delay consent to assignment.

This Guaranty embodies the entire agreement and understanding between Guarantor and the Buyer and supersedes all prior agreements and understandings relating to the subject matter hereof. The headings in this Guaranty are for purposes of reference only, and shall not affect the meaning hereof.

Time is of the essence of this Guaranty. The remedies provided to the Buyer in this Guaranty are cumulative and not exclusive of any other remedies provided by law.

Words importing the singular number hereunder shall include the plural number and vice versa and any pronouns used herein shall be deemed to cover all genders. The term "person" as used herein means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated association, or government (or any agency or political subdivision thereof).

Wherever possible, any provision in this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any one jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**IN WITNESS WHEREOF, the Guarantor has executed this Guaranty on \_\_\_\_\_, but it is effective as of the Effective Date.**

[GUARANTOR]

BY:

NAME:

TITLE:



**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
RIPUC DOCKET NO. 4556  
2016 STANDARD OFFER SERVICE PROCUREMENT PLAN  
2016 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN  
WITNESS: MARGARET M. JANZEN  
SCHEDULES**

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Schedule 9  
RES RFP Notice (Template)



**Request For Proposals  
To Provide NEPOOL-GIS  
Certificates in Compliance  
With the Rhode Island  
Renewable Energy  
Standard**

For the Period:

Calendar Year[S] [YEARS]

**[ISSUE DATE]**

## REQUEST FOR PROPOSALS

### 1. Overview

On June 29, 2004 Rhode Island enacted a Renewable Energy Standard (“RES”) that promotes the development of renewable energy resources in Rhode Island and New England “with the goals of stabilizing long-term energy prices, enhancing environmental quality, and creating jobs in Rhode Island in the renewable energy sector”<sup>1</sup>. The RES requires a retail supplier of electricity to obtain a minimum portion of its supply from certain new and existing renewable energy resources. The Rhode Island Public Utilities Commission (“RIPUC”) established rules and regulations implementing these requirements (“RES Rules”). The RES rules can be found at:

[http://www.ripuc.org/rulesregs/commrules/RESRules\(7-25-07\).pdf](http://www.ripuc.org/rulesregs/commrules/RESRules(7-25-07).pdf)

These rules require National Grid to demonstrate that a portion of its Rhode Island electricity sales are supplied from a mix of renewable energy generation resources. They are:

- **New** consists of new renewable generators that began commercial operation after December 31, 1997.
- **Existing** consists of existing renewable generators that began commercial operation before December 31, 1997.

The renewable requirements as a percent of sales are divided into two separate classes and summarized below:

Year	Percentage from New Renewable Energy Resources	Percentage from <i>either New or Existing Renewable Energy Resources</i>	Total Target Percentage
[YEAR]	[NUMBER] %	[NUMBER] %	[NUMBER] %
[YEAR]	[NUMBER] %	[NUMBER] %	[NUMBER] %

A retail supplier may satisfy these requirements by providing attribute certificates from the NEPOOL Generation Information System (“NEPOOL-GIS Certificate” or “REC”), contracting for the output of existing or new renewable energy resources, or making an Alternative Compliance Payment (“ACP”) to the Renewable Energy Development Fund (“REDF”) of the Rhode Island Economic Development Corporation (“EDC”).

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<sup>1</sup> R.I.G.L. § 39-26-1, et seq., Renewable Energy Standard.

National Grid<sup>2</sup> is seeking proposals for the supply of RECs from generating facilities in Rhode Island, New England and surrounding regions that have been approved by the RIPUC as either existing or new renewable energy resources that meet the RES requirements. National Grid is seeking proposals that provide RECs that comply with the RES for calendar year[s] [YEARS]. It is the intent of National Grid and supplier(s) that the resulting transactions shall meet the Commodity Futures Trading Commission's criteria for the forward contract exclusion, including that the parties intend to physically settle the transactions, and are therefore not subject to swap regulation.

Nothing in this RFP, or in any proposal that may be submitted in response to this RFP, shall create any obligation on the part of National Grid.

**2. Quantity of Certificates Sought and Description of Proposals**

2.1. Quantity of Certificates

National Grid may purchase up to the following quantity of NEPOOL-GIS Certificates to meet its RES obligations in Rhode Island:

Year	NEPOOL-GIS Certificates From Existing Energy Resources	NEPOOL-GIS Certificates From New Energy Resources	Total NEPOOL- GIS Certificates
<span style="color: red;">[YEAR]</span>	<span style="color: red;">[NUMBER]</span>	<span style="color: red;">[NUMBER]</span>	<span style="color: red;">[NUMBER]</span>
<span style="color: red;">[YEAR]</span>	<span style="color: red;">[NUMBER]</span>	<span style="color: red;">[NUMBER]</span>	<span style="color: red;">[NUMBER]</span>

2.2. Description of Proposals

National Grid will consider the following types of proposals for the purchase of RECs that meet the Rhode Island RES requirements:

- Firm RECs issued by the NEPOOL-GIS in the current trading period.
- Firm RECs to be issued by the NEPOOL-GIS in future trading periods.
- Non-cancelable Forward Certificates issued by the NEPOOL-GIS for future trading periods.

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<sup>2</sup> The contracting entity will be The Narragansett Electric Company.

### 2.3 Proposal Documents and Information

To assist Respondents in responding to this RFP, National Grid is providing the RFP and Certificate Purchase Agreement on its Wholesale Energy supplier website. Please use the following link to access the site:

<http://www.nationalgridus.com/energysupply/>

This site is open to anyone with the above link. No user id or password is required to access the data on the site.

## 3. General Provisions

### 3.1 Terms and Conditions

National Grid is seeking to purchase NEPOOL-GIS Certificates that are least cost and in the best interests of its customers. The winning supplier(s) will be required to execute a Certificate Purchase Agreement with National Grid for the purchase of NEPOOL-GIS Certificates within two (2) business days of being notified that it has been selected as a winning supplier. A copy of the proposed Certificate Purchase Agreement is provided in Appendix A.

Any proposed changes to the Certificate Purchase Agreement are to be included with Respondent's response to this RFP.

Under Article 6 of the Certificate Purchase Agreement, failure of the winning supplier to deliver the NEPOOL-GIS Certificates would constitute an event of default under the agreement, allowing National Grid to terminate and recover liquidated damages from the supplier.

### 3.2 Proposal Process and Submission Dates

The following table outlines the key dates associated with this procurement process.

Process Step	Date
Issue Request for Proposal	<span style="color: red;">[DATE]</span>
Submit Respondent Proposal Information and Proposed Contract Modifications (if applicable)	<span style="color: red;">[DATE]</span> – 5pm EPT
Submit Pricing	<span style="color: red;">[DATE]</span> – 10am EPT
Company reviews Pricing with the Division of Public Utilities and Carriers and informs winning suppliers	<span style="color: red;">[DATE]</span> – 5pm EPT
Company submits solicitation process summary to RIPUC	No later than one business day after Pricing
Winning bidder(s) and Company execute CPA(s)	No later than two business days after Pricing

One (1) copy of a Respondent’s Proposal Information must be submitted by e-mail or facsimile or mailed to the following address. If mailed, four (4) copies must be submitted.

[EMPLOYEE]  
 Wholesale Electric Supply  
 National Grid  
 100 East Old Country Road  
 Hicksville, NY 11801  
 (516) 545- XXXX  
 (516) 545-2464 (fax)  
 e-mail: electric.electricsupply@us.ngrid.com

National Grid is conducting the procurement process in two steps. The first step is for Respondents to provide National Grid with their background, financial information, and proposed contract modifications by 5:00 p.m. EPT on [DATE]. Upon receipt, National Grid will evaluate each Respondent’s qualifications and will notify any Respondent that does not qualify at least one business day before the Proposals are due.

The second step in this process is for Respondents to provide pricing information by 10:00 a.m. EPT on [DATE] to the above National Grid contact. National Grid intends to evaluate the pricing and select a Supplier(s) that day. National Grid will share a copy of each bid received with the Rhode Island Division of Public Utilities and Carriers (“Division”), Office of Energy Resources (“OER”), and the EDC. National Grid will review the pricing received with the staff of the Division to determine the number of NEPOOL-GIS Certificates it will purchase, if any, and begin to inform Respondents from which it will make such purchases.

Pricing shall be binding until execution of a CPA. Respondents should specify the manner in which they will accept a binding acceptance of their offer by National Grid

prior to receipt of an executed agreement (letter of intent or e-mail) or they will be deemed to be bound by National Grid's acceptance communicated in any of the preceding manners.

Within one business day of receipt of final pricing, National Grid will file with the Rhode Island Public Utilities Commission a confidential summary of the solicitation process.

National Grid, in consultation with or at the request of the RIPUC or Division, reserves the right to issue additional instructions or requests for additional information, to extend the due date, to modify any provision in the RFP or any appendix thereto and to withdraw the RFP.

### 3.3 Contact Person/Questions

All questions regarding this Request for Proposal should be directed to [EMPLOYEE] at the address provided above.

## 4. Proposal Requirements

### 4.1 Format of Proposal

The information required by National Grid to evaluate each proposal is identified in Appendix B. Respondents shall complete the forms provided in Appendix B and return them to [EMPLOYEE] as provided in Section 3.2. In addition, proposals should contain explanatory, descriptive and/or supporting materials as necessary.

### 4.2 Proposed Pricing

Respondents must specify the price at which they will sell certificates to National Grid. National Grid is only purchasing RECs from qualifying new or existing renewable generators and will not purchase the energy or other market products from any generator.

It is National Grid's intention to pay a supplier based on the number of valid RECs actually delivered to its account in the NEPOOL-GIS system. Proposed pricing should be structured in such manner.

### 4.3 Regulatory Approvals

The supplier of the certificates covered by this RFP must provide a summary of all necessary regulatory approvals required to enable it to provide Rhode Island RES compliant NEPOOL-GIS Certificates.

## 5. Selection Process

The criteria to be used in evaluating bids will include:

- Lowest evaluated bid price

In the event of identical low bids, the Company will allocate the offered RECs to all bidders with identical prices based on the quantities bid and the quantities solicited.

National Grid will treat the information it receives from a supplier in a confidential manner and will only share such information with the RIPUC, OER, the EDC and the Division. National Grid will not, except as required by law or regulatory authority, disclose such information to any third party or use such information for any purpose other than in connection with this RFP.

## 6. General Requirements

National Grid may withdraw and terminate this RFP at any time without any liability. National Grid reserves the right to accept or reject, in whole or in part, any and all proposals. National Grid will not be responsible to any Respondent or any other party for failure to execute a Certificate Purchase Agreement.

National Grid shall reject proposals submitted in response to this RFP that are incomplete, or do not conform to the requirements of the RFP, or are submitted beyond the deadline for submission. All proposals submitted by Respondents in response to the RFP will become the exclusive property of National Grid.

Each Respondent certifies, by its submission of a bid, that it is bidding independently and that it has no knowledge of any proposal being submitted by another Respondent in response to this RFP. Each Respondent further certifies that, by its submission of a bid, it has not disclosed and will not disclose prior to any award hereunder any information relating to its proposal which could have an effect on whether another party submits a proposal to this RFP or on the contents of such proposal that another bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the bidder is submitting a proposal in response to this RFP, the bidder's bids, the bidder's quantities of each product bid, the bidder's estimation of the value of a product, the bidder's estimation of the risks associated with supplying a product, and the bidder's preference for bidding on one or several products. Each Respondent further certifies that, by submission of its bid, it has bound any agents, consultants or other third parties retained or otherwise used in connection with the preparation and submission of

its bid to observe these same restrictions and requirements concerning Respondent's bid and maintain the confidentiality of information concerning its bid.

If any information provided by the Respondent changes or fails to remain valid, it is the sole responsibility of the Respondent to notify National Grid of such change. Failing to do so may result in disqualification of the Respondent and its proposal for the solicitation.

Respondents shall, at their own cost and expense, defend, indemnify and hold harmless National Grid, its parent, subsidiaries and affiliates and their officers, directors, trustees, employees, shareholders, executors, administrators, successors and assigns against any and all manner of past, present, or future claims, demands, disputes, controversies, complaints, suits, actions proceeding or allegations of any kind which in any manner relate to arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in its proposal, or breach of any covenant by the Respondent set forth herein.

**APPENDIX A**

**PROPOSED CERTIFICATE PURCHASE AGREEMENT**

**APPENDIX B**

**REQUIRED RESPONDENT INFORMATION**

## 1. General Information

Name of Respondent	
Principal contact person < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Secondary contact person (if any) < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Legal form of business organization of Respondent (e.g., sole proprietorship, partnership, limited partnership, joint venture, or corporation)	
State(s) of incorporation, residency and organization Indicate whether Respondent is in good standing in all states in which Respondent is authorized to do business and, if not, which states and the reason it is not.	
If Respondent is a partnership, the names of all general and limited partners.  If Respondent is a limited liability company, the names of all direct owners.	
Description of Respondent and all affiliated entities and joint ventures transacting business in the energy sector	

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## 2. Financial Information

Current debt rating for Respondent (include ratings and names of rating agencies).	
Date Respondent's last fiscal year ended.	
Total revenue for Respondent for the most recent fiscal year.	
Total net income for Respondent for the most recent fiscal year.	
Total assets for Respondent as of the close of the previous fiscal year.	
Copy of the Respondent's most recent balance sheet, income statement and cash flow statement.	
Copy of the Respondent's most recent audited balance sheet, income statement and cash flow statement.	

## 3. Defaults and Adverse Situations

Has Respondent, or any affiliate of Respondent, in the last five years, (a) consented to the appointment of, or was taken in possession by, a receiver, trustee, custodian or liquidator of a substantial part of its assets, (b) filed a bankruptcy petition in any bankruptcy court proceeding, (c) answered, consented or sought relief under any bankruptcy or similar law or failed to obtain a dismissal of an involuntary petition, (d) admitted in writing of its inability to pay its debts when due, (e) made a general assignment for the benefit of creditors, (f) was the subject of an involuntary proceeding seeking to adjudicate that Party bankrupt or insolvent, (g) sought reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors.	
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#### 4. CONFLICTS OF INTEREST

Briefly describe any known conflicts of interest between bidder or an affiliate of bidder and Buyer, National Grid USA or any affiliates of the foregoing.	
Enumerate any litigation, claims or complaints asserted by bidder or an affiliate of bidder, against Buyer, National Grid or an affiliate of any of the foregoing.	
Enumerate any litigation, claims or complaints asserted against bidder or an affiliate of bidder by Buyer, National Grid or an affiliate of any of the foregoing.	

#### 5. SCOPE OF BID AND TERMS OF SALE

Will Respondent execute a contract substantially similar to the proposed Certificate Purchase Agreement contained in Appendix A?  Explain any proposed modifications.	
List all regulatory approvals required before service can commence.	

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## 6. PROPOSED TRANSACTION

(include pricing, term, description of renewable resource, and location of resource)

Please use and submit electronic (Excel) Bidder Sheet provided.



**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
RIPUC DOCKET NO. 4556  
2016 STANDARD OFFER SERVICE PROCUREMENT PLAN  
2016 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN  
WITNESS: MARGARET M. JANZEN  
SCHEDULES**

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Schedule 10  
RES RFP Summary (Template)

**NATIONAL GRID**

**RENEWABLE ENERGY CERTIFICATE [ISSUE MONTH & YEAR]  
PROCUREMENT SUMMARY**

**FOR THE NARRAGANSETT ELECTRIC COMPANY**

FOR THE OBLIGATION YEAR[s] [YEARS]

**1. RFP Issued**

The Narragansett Electric Company d/b/a National Grid (the “Company”) issued its Request for Proposals (“RFP”) to Provide NEPOOL-GIS Certificates in Compliance with the Rhode Island Renewable Energy Standard (“RES”)<sup>1</sup> on [ISSUE DATE] directly to the renewable generators who have filed their renewable energy applications for certification with the Rhode Island Public Utilities Commission (“RIPUC”) and organizations that have expressed interest in receiving RFPs from National Grid.

The RFP was also distributed to all members of the NEPOOL Markets Committee and posted on National Grid’s energy supply website. As a result, the RFP had wide distribution throughout the New England energy supply marketplace.

The procurement was conducted in accordance with the Company’s Renewable Energy Procurement Plan filed on [FILE DATE] with the RIPUC and in compliance with the Renewable Energy Standard. The RIPUC approved the plan on [APPROVAL DATE] and issued a written order on [DATE] (Order No. [NUMBER]).

The RFP sought a specified quantity of new and existing Renewable Energy Certificates (“RECs”) that comply with the RES to satisfy a portion of National Grid’s Standard Offer Service RES Obligations for the Calendar year[s] [YEAR].

The quantity of RECs specified in the Procurement Plan was updated to include reconciled load data through [DATE]. A calculation of the quantities of RECs requested is provided in Exhibit 1.

**2. Key RFP Dates**

The RFP was issued on [DATE].

Respondent Proposal Information and proposed contract modifications were received on [DATE].

Pricing was received on [DATE] from [NUMBER] suppliers. The bidders were:

- Bidder A - [NAME]
- Bidder B - [NAME]
- Bidder [TBD] – [NAME]

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<sup>1</sup> R.I.G.L. § 39-26-1, et seq., Renewable Energy Standard.

A summary of the bids received is found in Exhibit 2.

Respondents were informed of awards on **[DATE]**.

### 3. **Contract Submissions**

**[NUMBER]** bidders submitted contract comments to National Grid in the form of proposed revisions to the Certificate Purchase Agreement. These comments were **[DESCRIPTION]**.

### 4. **Award of New Renewable RECs**

**[NUMBER]** bidders provided offers to sell National Grid RECs from new renewable resources. Exhibit 3 is an analysis and graphical summary of the bids received ranked by bid price. As shown in Exhibit 3, the RFP process selected the bids that provided the lowest cost up to the quantity required and did not perform any adjustment for non-price benefits.

### 5. **Award of Existing Renewable RECs**

**[NUMBER]** bidders provided offers to sell National Grid RECs from existing renewable resources. Exhibit 4 provides an analysis and graphical summary of the bids received ranked by bid price. As shown in Exhibit 4, the RFP process selected the bids that provided the lowest cost up to the quantity required and did not perform any adjustment for non-price benefits.

### 6. **Summary of Award**

On **[DATE]**, National Grid shared the REC bids with the Division Staff for review.

Exhibit 5 is a list of the winning bidders by REC type and year. National Grid expects to purchase a total of **[NUMBER]** RECs at a cost of \$**[NUMBER]**. The following is a summary of the RECs procured in this RFP.

<b>New or Existing</b>	<b>Vintage</b>	<b>Quantity</b>	<b>Average Price</b>
New	<b>YEAR</b>	<b>#</b>	<b>\$ #</b>
Existing	<b>YEAR</b>	<b>#</b>	<b>\$ #</b>

### 7. **Procurement Process Analysis**

**[PROVIDE SUMMARY OF PROCUREMENT PROCESS]**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 3 of 12  
Docket No. **NUMBER**

**EXHIBIT 1**  
**CALCULATION OF REQUESTED RECs**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 4 of 12  
Docket No. **NUMBER**

**EXHIBIT 2**  
**SUMMARY OF BIDS RECEIVED**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 5 of 12  
Docket No. **NUMBER**

**EXHIBIT 3  
ANALYSIS OF NEW RENEWABLE REC BIDS  
BID STACK**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 6 of 12  
Docket No. **NUMBER**

**EXHIBIT 4  
ANALYSIS OF EXISTING RENEWABLE REC BIDS  
BID STACK**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 7 of 12  
Docket No. **NUMBER**

**EXHIBIT 5**  
**SUMMARY OF WINNING BIDS**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 8 of 12  
Docket No. **NUMBER**

**EXHIBIT 6**  
**REC PROCUREMENT PLAN STATUS**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 9 of 12  
Docket No. **NUMBER**

**EXHIBIT 7**  
**GIS CERTIFICATE STATISTICS REPORTS**

**CONTAINS CONFIDENTIAL INFORMATION  
DO NOT RELEASE**

National Grid: Page 10 of 12  
Docket No. **NUMBER**

**EXHIBIT 8**  
**NEW ENGLAND TIER 1 RPS OBLIGATIONS**