

THE NARRAGANSETT ELECTRIC COMPANY
QUALIFYING FACILITIES POWER PURCHASE RATE

I. Applicability

The Company will purchase the electrical output from any qualifying facility as defined under the Public Utility Regulatory Policies Act of 1978 and constructed after November 9, 1978, under the following terms and conditions. Qualifying facilities include the following:

- a. Small power production facilities of 20 megawatts or less which use biomass, waste, renewable resources, or any combination thereof for at least 75 percent of their total energy input in the aggregate during any calendar year period.
- b. Cogeneration facilities of 20 megawatts or less which first generate electricity and then use at least five percent of the total energy output for thermal production, provided that the useful power output of the facility plus one-half the useful thermal energy output must be:
 - 1) no less than 42.5 percent of the total energy input of natural gas and oil to the facility in any calendar year; or
 - 2) if the useful thermal energy output is less than 15 percent of the total energy output of the facility, no less than 45 percent of the total energy input of natural gas and oil to the facility in any calendar year.
- c. Cogeneration facilities of 20 megawatts or less which first provide useful thermal energy and then use reject heat to generate electricity, provided that the useful power output must be no less than 45 percent of the total energy input of natural gas and oil during any calendar year period.

II. Terms and Conditions

1. Any qualifying facility that desires to sell electricity to the Company must provide the Company with sufficient prior written notice. At the time of notification, the qualifying facility shall provide the Company with the following information:
 - a. The name and address of the applicant and location of the qualifying facility.
 - b. A brief description of the qualifying facility, including a statement indicating whether such facility is a small power production facility or a cogeneration facility.
 - c. The primary energy source used or to be used by the qualifying facility.
 - d. The power production capacity of the qualifying facility and the maximum net energy to be delivered to the Company's facilities at any clock hour.
 - e. The owners of the qualifying facility including the percentage of ownership by any electric utility or by any public utility holding company, or by any entity owned by either.
 - f. The expected date of installation and the anticipated on-line date.
 - g. The anticipated method of delivering power to the Company.
 - h. A copy of the qualifying facility's Federal Energy Regulatory Commission certification as a qualifying facility.

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Such notice shall be sent to:
Director, Wholesale Electric Supply
Energy Procurement
National Grid USA Service Company, Inc.
100 East Old Country Rd.
Hicksville, NY 11801

Following such notification, the qualifying facility and the Company shall execute the standard purchase power agreement setting forth the terms of the sale, a form of which is attached in Schedule A, which shall be executed no later than thirty (30) days prior to the desired commencement date of the sale. The actual commencement date of the sale shall be the first day of the calendar month following the acceptance by ISO-New England, Inc. ("ISO-NE") of the registration of the qualifying facility in the ISO-NE settlement system.

1. The qualifying facility shall furnish and install the necessary meter socket and wiring in accordance with the Company's Standards for Connecting Distributed Generation.
2. The qualifying facility shall install equipment approved by the Company which prevents the flow of electricity into the Company's system when the Company's supply is out of service, unless the qualifying facility's generation equipment can be controlled by the Company's supply.
3. The qualifying facility's equipment must be compatible with the character of service supplied by the Company at the qualifying facility's location.
4. The qualifying facility shall be required to install metering pursuant to the requirements contained in the Company's Standards for Connecting Distributed Generation.
5. The qualifying facility shall enter into an interconnection agreement and follow all other procedures outlined in the Company's Standards for Connecting Distributed Generation, as amended and superseded from time to time.
6. The qualifying facility shall reimburse the Company for any equipment and the estimated total cost of construction (excluding costs which are required for system improvements or for sales to the qualifying facility, such as the cost of a standard metering installation, in accordance with the Company's Terms and Conditions) which are necessary to meter purchases under this rate and to interconnect the qualifying facility to the Company's distribution or transmission system in accordance with the Company's Standards for Connecting Distributed Generation. The Company will install, own, and maintain the equipment.
7. The qualifying facility shall save and hold harmless the Company from all claims for damage to the qualifying facility's equipment or injury to any person arising out of the qualifying facility's use of generating equipment in parallel with the Company's system; provided that nothing in this

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paragraph shall relieve the Company from liability for damage or injury caused by its own fault or neglect.

8. As a condition to receiving any payments required by this rate, the qualifying facility must comply with any and all applicable New England Power Pool (“NEPOOL”) and ISO-NE rules, requirements, or information requests that are necessary for the qualifying facilities’ output to be sold into the ISO-NE administered markets (whether the Company or the qualifying facility is actually submitting information to ISO-NE). The Company is not obligated to seek to obtain capacity market payments from ISO-NE for qualifying facilities. If the Company must provide to NEPOOL or ISO-NE any information regarding the operation, output, or any other data in order to sell the output of the qualifying facility into the ISO-NE administered markets, the qualifying facility must provide such information to the Company in a timely manner. The Company will not be liable to pay the qualifying facility for the output of the qualifying facility if the Company is unable to sell the output into the ISO-NE administered markets because of a failure of the qualifying facility to provide to the Company, NEPOOL or ISO-NE any information on a timely basis that was required for sale of the facility output into the ISO-NE administered markets. For any perceived errors or omissions in the data reported to NEPOOL or ISO-NE or the transactions from ISO-NE to the Company or qualifying facility, the qualifying facility must notify the Company within 30 days of such error or omission occurring.
9. NEPOOL and ISO-NE have the authority to impose fines, penalties, and/or sanctions on participants if it is determined that a participant is violating established rules in certain instances. Accordingly, to the extent that a fine, penalty, or sanction is levied by NEPOOL or the ISO-NE as a result of the qualifying facility’s failure to comply with a NEPOOL or ISO-NE rule or information request, the qualifying facility will be responsible for the costs incurred by the Company, if any, associated with such fine, penalty or sanction.

III. Rates for Purchases

Rates for Qualifying Facilities

For qualifying facilities not eligible for net metering under the Company’s Net Metering Provision, RIPUC No. 2207, as amended and superseded from time to time, the Company will pay the following rates:

1. For facilities meeting the definition of renewable energy resources as defined in R.I.G.L. Section 39-26-5, the Company will pay the Last Resort Service rate for the applicable retail delivery rate as determined in Section IV for each kilowatt-hour generated in excess of the facility requirements.
2. For all other qualifying facilities, the Company will pay the hourly clearing prices at the ISO-NE for the hours in which the qualifying facility generated electricity in excess of its requirements. Additionally, the Company shall make payments to a qualifying facility for capacity and/or

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reserves-related products if the sale is recognized by NEPOOL or ISO-NE as a capacity and/or reserves-related product sale. The Company shall pay rates equal to the payments received for the sale of any capacity and/or reserves-related products associated with such qualifying facility output to ISO power exchange.

IV. Rates for Distribution Service to Qualifying Facilities

Retail distribution delivery service by the Company to the qualifying facility shall be governed by the tariffs, rates, terms, conditions, and policies for retail delivery service which are on file with the Public Utilities Commission. The selection of the appropriate retail rate will be determined as follows:

1. for qualifying facilities with generating capacity of less than 10kW, the appropriate residential or small general service rate will apply unless the customer's load necessitates use of G-02 or Rate G-32 rate;
2. for qualifying facilities serving non-profit affordable housing, Residential Rate A-16 will apply;
3. for qualifying facilities with generating capacity of at least 10kW but not more than 200 kW, Rate G-02 will apply, unless the customer's load necessitates the use of Rate G-32 rate;
4. for qualifying facilities with generating capacity of at least 200kW, Rate G-32 will apply.

V. Cost Recovery

The Company shall be entitled to recover the difference between the payments made to qualifying facilities for purchases pursuant to Section III. and the actual energy market payments received by ISO-NE for the electricity generated by those qualifying facilities from all customers through a uniform per kilowatt-hour (kWh) surcharge embedded in the distribution component of the rates reflected on customer bills.

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Schedule A

THE NARRAGANSETT ELECTRIC COMPANY
QUALIFYING FACILITY POWER PURCHASE AGREEMENT

The Agreement is between _____, a Qualifying Facility (“QF”) and The Narragansett Electric Company (the “Company”) for energy purchases by the Company from the QF’s facility located at _____, Rhode Island.

Agreement to Purchase under the Qualifying Facilities Power Purchase Rate Tariff

Effective as of _____, the Company agrees to purchase electricity from the QF and QF agrees to sell electricity to the Company under the terms and conditions of the Company’s Qualifying Facilities Power Purchase Rate Tariff as currently in effect or amended by the Company in the Company’s sole discretion. The QF agrees to comply with the terms and conditions of the Qualifying Facilities Power Purchase Rate Tariff, the Company’s Standards for Connecting Distributed Generation, as currently in effect or as amended from time to time, and associated policies of the Company that are on file with the Rhode Island Public Utilities Commission as currently in effect or as modified, amended, or revised by the Company, and to pay any metering and interconnection costs required under such tariff and policies.

Payments for Energy

The Company will pay the QF at the rates in effect at the time of delivery as provided for in the Qualifying Facilities Power Purchase Rate Tariff.

Notice

The Company or QF may terminate this agreement on thirty (30) days written notice which includes a statement of reasons for such termination.

Agreed and Accepted

Date

The Narragansett Electric Company

Date