

THE NARRAGANSETT ELECTRIC COMPANY
LONG-TERM CONTRACTING FOR RENEWABLE ENERGY
RECOVERY PROVISION

The Company's rates for Retail Delivery Service are subject to adjustment to reflect recovery of costs incurred in accordance with the provisions of Chapter 39-26.1, Long-Term Contracting Standard for Renewable Energy and Chapter 39-26.2, Distributed Generation Standard Contracts.

1) DEFINITIONS

Contract Remuneration shall mean the annual compensation as authorized by § 39-26.1-4, which shall be equal to two and three quarter percent (2.75%) of the actual annual payments made under the Long Term Contracts and Distributed Generation Standard Contracts for those projects that are commercially operating.

Contract Products shall mean the energy, capacity, Renewable Energy Certificates, or other attributes individually or any combination thereof, associated with the output from a Newly Developed Renewable Energy Resource, or a Distributed Generation Facility, which are purchased by the Company pursuant to a Long-term Contract or a Distributed Generation Standard Contract.

Customer Share of Net Forward Capacity Market Proceeds shall mean 90% of the proceeds received from or fees, charges, or penalties assessed by ISO-NE as a result of the Company's bidding the capacity of qualified customer-owned Distributed Generation Facilities into the ISO-NE Forward Capacity Market. These proceeds consist of all payments received from ISO-NE for participation in the Forward Capacity Market, less any ISO-NE fees, charges, or penalties that may be assessed pursuant to the Forward Capacity Market's rules.

Distributed Generation Facility shall mean an electrical generation facility that is a newly developed renewable energy resource as defined in § 39-26.1-2, located in the Company's load zone with a nameplate capacity no greater than five megawatts (5 MW), using eligible renewable energy resources as defined by § 39-26-5, including biogas created as a result of anaerobic digestion, but, specifically excluding all other listed eligible biomass fuels, and connected to an electrical power system owned, controlled, or operated by the Company.

Distributed Generation Standard Contract shall mean a contract with a term of fifteen (15) years at a fixed rate for the purchase of all Contract Products generated by a Distribution Generation Facility, which is executed with the Company pursuant to R.I.G.L. 39-26.2.

Forecasted kWh shall mean the forecasted amount of electricity to be delivered to the Company's retail delivery service customers.

Long-term Contract shall mean a contract of not less than ten (10) years, for the purchase of Contract Products, which is executed with the Company pursuant to R.I.G.L. 39-26.1.

Newly Developed Renewable Energy Resource shall have the meaning set forth in §39-26.1-2(6).

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Performance Guarantee Deposit shall mean a deposit as required pursuant to § 39-26.2-7(2)(ii) paid to the Company of fifteen dollars (\$15.00) for a small Distributed Generation Facility or twenty-five dollars (\$25.00) for a large Distributed Generation Facility for every Renewable Energy Certificate estimated to be generated per year under the Distributed Generation Standard Contract, but at least five hundred dollars (\$500) and not more than seventy-five thousand dollar (\$75,000) paid at the time of contract execution.

Reimbursement Agreement shall mean a cost reimbursement agreement entered into between the Company and a lawyer designated by the Office of Energy Resources (“OER”) that is intended to compensate such lawyer for the time spent serving in the contract working group established pursuant to the provisions of § 39-26.2-7(1) at a reasonable hourly rate negotiated by OER.

Renewable Energy Certificate shall mean a New England Generation Information System renewable energy certificate as defined in § 39-26-2(15).

Town of New Shoreham Project shall mean a small-scale offshore wind demonstration project off the coast of Block Island, including an undersea transmission cable that interconnects Block Island to the mainland as provided for in § 39-26.1-7.

Town of Johnston Project shall mean a newly developed renewable energy resource fueled by landfill gas from the central landfill in the Town of Johnston as provided for in § 39-26.1-9.

2) APPLICABILITY

Costs recovered under this provision are authorized for recovery pursuant to the following provisions of Rhode Island General Law:

- i) § 39-26.1-4: Financial remuneration and incentives;
- ii) § 39-26.1-5: Commission approval and regulations, subsection (f)
- iii) § 39-26.1-7: the Town of New Shoreham Project, subsection (d);
- iv) § 39-26.1-9: the Town of Johnston Project, subsection (8);
- v) § 39-26.2-6: Standard contract enrollment program, subsection (f);
- vi) § 39-26.2-7: Standard contract – Form and provisions, subsections (1)(vi), (2)(i), (2)(iv) and (3);

3) RATE

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The Long-term Contracting for Renewable Energy Recovery (“LTCRER”) factor shall be established semi-annually based upon the costs expected to be incurred during the subsequent six-month period including an adjustment for uncollectible amounts at the Company’s currently approved uncollectible allowance rate.

The LTCRER factor shall be a uniform per kilowatt-hour factor applicable to all customers based on the Forecasted kWhs during the six month period that the LTCRER factor will be in effect. For billing purposes, the LTCRER factor will be included with the Renewable Energy Distribution kWh charge on customers’ bills.

The LTCRER factor will be calculated as follows:

$$\text{LTCRER Factor}_x = \{[(AM_x - \text{NFCMP}_x + \text{ADM}_x) \div \text{FkWh}_x]\} \times (1 + \text{UP})$$

where

x = The six-month period during which the annual LTCRER will be in effect;

LTCRER Factor_x = The Long-term Contracting Renewable Energy Recovery Factor for the current six-month period;

AM_x = The estimated annual above-market cost associated with Long-term Contracts and Distributed Generation Standard Contracts, calculated as the sum of the estimated payments expected to be made during period x under each of the approved Contracts less the expected proceeds to be received during period x by the Company resulting from the sale of the Contract Products;

NFCMP_x = The estimated Customer Share of Net Forward Capacity Market Proceeds during period x ;

ADM_x = The estimated incremental administrative costs incurred as a result of the Company’s participation in the Forward Capacity Market;

FkWh_x = The Forecasted kWh for the six-month period following the effective date of the LTCRER; and

UP = The uncollectible percentage approved by the Commission in the Company’s most recent rate case.

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4) ADJUSTMENTS TO RATES

Adjustments to rates pursuant to the LTCRER Provision are subject to review and approval by the Commission. The Company shall file its revised LTCRER factor semi-annually at least forty-five (45) days prior to the effective date of the revised LTCRER factor. Modifications to the factors contained in this LTCRER Provision shall be in accordance with a notice filed with the Commission pursuant to R.I.G.L. § 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.

Effective Date: March 1, 2017