

April 21, 2009

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02889

**RE: Docket 4041 - Accelerated Procurement Plan  
Responses to Data Requests**

Dear Ms. Massaro:

Enclosed please find the responses of National Grid<sup>1</sup> to the data requests of the Commission, the Division, and the Office of Energy Resources in the above-referenced proceeding.

Pursuant to Commission Rule 1.2(g), the Company is requesting confidential treatment with respect to portions of the following materials: Attachment Division DR 1-4 and Attachment RIPUC 1-7, 1-8a and 1-8b, and Attachment RIPUC 1-12, which is also being provide to the Commission and Division on a CD-Rom. In compliance with Rule 1.2(g), National Grid is providing one complete unredacted copy of the confidential documents as well as the CD-Rom referred to in a sealed envelope marked "Contains Privileged and Confidential Materials – Do Not Release." Copies of the confidential document are also being provided to Steve Scialabba representing the Division of Public Utilities and Carriers. Pursuant to Rule 1.2 (g)(2), National Grid also requests a preliminary finding that this document is exempt from the public disclosure requirements of R.I.G.L. §38-2-1 et. seq.

These redactions contain dates upon which the Company would be issuing solicitations, pricing information, and details of the proposed contracts. The Company believes that disclosure of these details could adversely impact the prices the Company would receive as a result of these solicitations.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Docket 4041 Service List  
Steve Scialabba, Division

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

Commission Data Request 1-1

Request:

Please define “notational” as used in Paragraph II.C.1 of the Accelerated Procurement Plan (“APP”). What is the significance of the word as used in this context?

Response:

“Notional” is a standard industry term in financial contracts. A “notional” value is used to specify the quantity of energy or other market products in a contractual agreement between two parties and is a contractual amount and not a physical purchase. The notional quantities are used to financially settle contracts, and variances in actual loads do not alter the contractual agreement.

Commission Data Request 1-2

Request:

Please indicate why the date listed in Paragraph II.C.2 of the APP is different than the date listed in Paragraph II.E.4.

Response:

The date listed on Paragraph II.C.3 is the date on which the settlement of the swap contract occurs. The prices used to settle the swap contract are based upon the actual closing values of the forward markets prices which occur on the previous business day. These closing forward market prices are also one of the factors used by suppliers to price FRS supply when providing a bid.

Commission Data Request 1-3

Request:

Please explain the significance of the date listed in Paragraph II.E.4 of the APP and its relationship to the setting of a retail rate where the Annual Reconciliation Filing is due prior to that date.

Response:

The date listed in Paragraph II.E.4 of the APP is the date the Company expects to award FRS supply to winning bidders for the January 1, 2010 to September 30, 2010 period. The Company will then file retail rates with the Commission that reflect the FRS costs and hedge costs or benefits shortly thereafter. The Company has proposed to procure new SOS FRS supply on a date that is closest to the date when the new supply would begin but still allows sufficient time for Division Staff review and the required customer notice. The Annual Reconciliation Filing for any over or under collections from the previous twelve month period will be included in the proposed SOS retail rates as in past retail rate filings for commodity services.

Commission Data Request 1-4

Request:

Please explain the significance of the date listed in Paragraph II.E.6 of the APP.

Response:

The date listed in Paragraph II.E.6 of the APP is the date the Company proposes to award FRS supply contracts period October 1, 2010 through March 31, 2011.

Commission Data Request 1-5

Request:

Please indicate how much the energy component would need to change in order for the percentage of the commodity component to the overall cost to change from 70% as stated in Paragraph II.D.5 of the APP.

Response:

In the example, the exact percentage would be 72.26 %. Any market price movement in the electric futures prices would result in a change in the percentage. For example, a 10% increase in electric price futures (as shown in the example) results in an increase of the energy component percentage to 73.63%. This assumes the ancillary services and capacity costs did not change.

Commission Data Request 1-6

Request:

Is the industry standard ISDA contract in the public domain which could be provided without the specifics of this proposed transaction? If so, please provide a public version.

Response:

Please see Attachment RIPUC Data Request 1-6 (a), (b) and (c).

(Multicurrency — Cross Border)

# ISDA<sup>®</sup>

International Swap Dealers Association, Inc.

## MASTER AGREEMENT

dated as of

(“Party A”)

and

(“Party B”)

have entered and/or anticipate entering into one or more transactions (each a “Transaction”) that are or will be governed by this Master Agreement, which includes the schedule (the “Schedule”), and the documents and other confirming evidence (each a “Confirmation”) exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows: —

### 1. Interpretation

(a) **Definitions.** The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this “Agreement”), and the parties would not otherwise enter into any Transactions.

### 2. Obligations

(a) **General Conditions.**

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.



(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable:—

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) **Deduction or Withholding for Tax.**

(i) **Gross-Up.** All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:—

- (1) promptly notify the other party ("Y") of such requirement;
- (2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;
- (3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and
- (4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) **Liability.** If: —

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of an payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

### 3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:—

(a) **Basic Representations.**

(i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, 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;

(iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) **Payer Tax Representation.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) **Payee Tax Representations.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

#### 4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) **Furnish Specified Information.** It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:—

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) **Tax Agreement.** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) **Payment of Stamp Tax.** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated,

organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located (“Stamp Tax Jurisdiction”) and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party’s execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

## 5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an “Event of Default”) with respect to such party:—

(i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) **Credit Support Default.**

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) **Misrepresentation.** A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) **Default under Specified Transaction.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) **Cross Default.** If “Cross Default” is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however

described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party: —

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer: —

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or (2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event

Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:-

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party): —

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Tax Event.** Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) **Tax Event Upon Merger.** The party (the “Burdened Party”) on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) **Additional Termination Event.** If any “Additional Termination Event” is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

## 6. Early Termination

(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Transfer to Avoid Termination Event.** If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party’s policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) **Right to Terminate.** If: —

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then

continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) ***Effect of Designation.***

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) ***Calculations.***

(i) ***Statement.*** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) ***Payment Date.*** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) ***Payments on Early Termination.*** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) ***Events of Default.*** If the Early Termination Date results from an Event of Default: —

(1) ***First Method and Market Quotation.*** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) ***First Method and Loss.*** If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) ***Second Method and Market Quotation.*** If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the



Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) *Second Method and Loss*. If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) **Termination Events**. If the Early Termination Date results from a Termination Event: —

(1) *One Affected Party*. If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties*. If there are two Affected Parties: —

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) **Adjustment for Bankruptcy**. In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) **Pre-Estimate**. The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

## 7. Transfer

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that: —

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

## 8. Contractual Currency

(a) **Payment in the Contractual Currency.** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the “Contractual Currency”). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) **Judgments.** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term “rate of exchange” includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) **Separate Indemnities.** To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) **Evidence of Loss.** For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

## 9. Miscellaneous

- (a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.
- (b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.
- (c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.
- (d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.
- (e) **Counterparts and Confirmations.**
- (i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.
  - (ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.
- (f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.
- (g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

## 10. Offices; Multibranch Parties

- (a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.
- (b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.
- (c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

## 11. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document

to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

## 12. Notices

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

## 13. Governing Law and Jurisdiction

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:—

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in a inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Service of Process.** Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any

reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

#### 14. Definitions

As used in this Agreement:—

**“Additional Termination Event”** has the meaning specified in Section 5(b).

**“Affected Party”** has the meaning specified in Section 5(b).

**“Affected Transactions”** means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

**“Affiliate”** means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, “control” of any entity or person means ownership of a majority of the voting power of the entity or person.

**“Applicable Rate”** means:—

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

**“Burdened Party”** has the meaning specified in Section 5(b).

**“Change in Tax Law”** means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

**“consent”** includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

**“Credit Event Upon Merger”** has the meaning specified in Section 5(b).

**“Credit Support Document”** means any agreement or instrument that is specified as such in this Agreement.

**“Credit Support Provider”** has the meaning specified in the Schedule.

**“Default Rate”** means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

**“Defaulting Party”** has the meaning specified in Section 6(a).

**“Early Termination Date”** means the date determined in accordance with Section 6(a) or 6(b)(iv).

**“Event of Default”** has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

**“Illegality”** has the meaning specified in Section 5(b).

**“Indemnifiable Tax”** means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

**“Law”** includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and **“lawful”** and **“unlawful”** will be construed accordingly.

**“Local Business Day”** means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

**“Loss”** means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party’s legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

**“Market Quotation”** means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the “Replacement Transaction”) that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have

been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

**“Non-default Rate”** means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

**“Non-defaulting Party”** has the meaning specified in Section 6(a).

**“Office”** means a branch or office of a party, which may be such party’s head or home office.

**“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.

**“Reference Market-makers”** means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

**“Relevant Jurisdiction”** means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

**“Scheduled Payment Date”** means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

**“Set-off”** means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

**“Settlement Amount”** means, with respect to a party and any Early Termination Date, the sum of: —

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party’s Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

**“Specified Entity”** has the meanings specified in the Schedule.

***“Specified Indebtedness”*** means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

***“Specified Transaction”*** means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

***“Stamp Tax”*** means any stamp, registration, documentation or similar tax.

***“Tax”*** means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

***“Tax Event”*** has the meaning specified in Section 5(b).

***“Tax Event Upon Merger”*** has the meaning specified in Section 5(b).

***“Terminated Transactions”*** means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if “Automatic Early Termination” applies, immediately before that Early Termination Date).

***“Termination Currency”*** has the meaning specified in the Schedule.

***“Termination Currency Equivalent”*** means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the “Other Currency”), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

***“Termination Event”*** means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

***“Termination Rate”*** means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

***“Unpaid Amounts”*** owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market



value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

By:.....  
Name:  
Title:

By:.....  
Name:  
Title:

(Bilateral Form)

(ISDA Agreements Subject to New York Law Only)

**ISDA**<sup>®</sup>

International Swaps and Derivatives Association, Inc.

**CREDIT SUPPORT ANNEX**

to the Schedule to the

Master Agreement

dated as of \_\_\_\_\_

between

(“Party A”)

and

(“Party B”)

---

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows;--

**Paragraph 1. Interpretation**

(a) **Definitions and Inconsistency.** Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) **Secured Party and Pledgor.** All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; *provided, however*, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

**Paragraph 2. Security Interest**

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to 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 any further action by either party.

### Paragraph 3. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Delivery Amount**" applicable to the Pledgor for any Valuation Date will equal the amount by which:

- (i) the Credit Support Amount  
exceeds
- (ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Return Amount**" applicable to the Secured Party for any Valuation Date will equal the amount by which:

- (i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party exceeds
- (ii) the Credit Support Amount.

**"Credit Support Amount"** means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; *provided, however*, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero,

### Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

- (i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and
- (ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) **Substitutions.**

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13(the "Substitution Date"); *provided* that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

**Paragraph 5. Dispute Resolution**

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

- (A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;
- (B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and
- (C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice, by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

**Paragraph 6. Holding and Using Posted Collateral**

(a) **Care of Posted Collateral.** Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) ***Eligibility to Hold Posted Collateral; Custodians.***

- (i) ***General.*** Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.
- (ii) ***Failure to Satisfy Conditions.*** If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.
- (iii) ***Liability.*** The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) ***Use of Posted Collateral.*** Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

- (i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor, and
- (ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) ***Distributions and Interest Amount***

- (i) ***Distributions.*** Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).
- (ii) ***Interest Amount.*** Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

**Paragraph 7. Events of Default**

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

- (i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;

- (ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or
- (iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

**Paragraph 8. Certain Rights and Remedies**

(a) ***Secured Party's Rights and Remedies.*** If at any time ( 1 ) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

- (i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;
- (ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;
- (iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and
- (iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) ***Pledgor's Rights and Remedies.*** If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

- (i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable law with respect to Posted Collateral held by the Secured Party;
- (ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;
- (iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and
- (iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:
  - (A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and
  - (B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) **Deficiencies and Excess Proceeds.** The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) **Final Returns.** When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

#### **Paragraph 9. Representations**

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

- (i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;
- (ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;
- (iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and
- (iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

#### **Paragraph 10. Expenses**

- (a) **General.** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.
- (b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).
- (c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

#### **Paragraph 11. Miscellaneous**

- (a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.
- (b) **Further Assurances.** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

- (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 Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).
- (d) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.
- (e) **Demands and Notices.** All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.
- (f) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

## Paragraph 12. Definitions

As used in this Annex:--

**"Cash"** means the lawful currency of the United States of America.

**"Credit Support Amount"** has the meaning specified in Paragraph 3.

**"Custodian"** has the meaning specified in Paragraphs 6(b)(i) and 13.

**"Delivery Amount"** has the meaning specified in Paragraph 3(a).

**"Disputing Party"** has the meaning specified in Paragraph 5.

**"Distributions"** means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

**"Eligible Collateral"** means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

**"Eligible Credit Support"** means Eligible Collateral and Other Eligible Support.

**"Exposure"** means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

**"Independent Amount"** means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

**"Interest Amount"** means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

- (x) the amount of that Cash on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.



**"Interest Period"** means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

**"Interest Rate"** means the rate specified in Paragraph 13.

**"Local Business Day"** unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

**"Minimum Transfer Amount"** means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

**"Notification Time"** has the meaning specified in Paragraph 13.

**"Obligations"** means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

**"Other Eligible Support"** means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

**"Other Posted Support"** means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

**"Pledgor"** means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

**"Posted Collateral"** means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

**"Posted Credit Support"** means Posted Collateral and Other Posted Support.

**"Recalculation Date"** means the Valuation Date that gives rise to the dispute under Paragraph 5; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the "Recalculation Date" means the most recent Valuation Date under Paragraph 3.

**"Resolution Time"** has the meaning specified in Paragraph 13.

**"Return Amount"** has the meaning specified in Paragraph 3(b).

**"Secured Party"** means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

**"Specified Condition"** means, with respect to a party, any event specified as such for that party in Paragraph 13.

**"Substitute Credit Support"** has the meaning specified in Paragraph 4(d)(i).

**"Substitution Date"** has the meaning specified in Paragraph 4(d)(ii).

**"Threshold"** means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

**"Transfer"** means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

- (i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;
- (ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

- (iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and
- (iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

**"Valuation Agent"** has the meaning specified in Paragraph 13.

**"Valuation Date"** means each date specified in or otherwise determined pursuant to Paragraph 13.

**"Valuation Percentage"** means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

**"Valuation Time"** has the meaning specified in Paragraph 13.

**"Value"** means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

- (i) Eligible Collateral or Posted Collateral that is:
  - (A) Cash, the amount thereof; and
  - (B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;
- (ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and
- (iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

TEMPLATE 11/25/08

# ISDA®

International Swaps and Derivatives Association, Inc.

**SCHEDULE**  
to the  
**1992 ISDA MASTER AGREEMENT**  
dated as of \_\_\_\_\_  
between

**THE NARRAGANSETT ELECTRIC  
COMPANY d/b/a NATIONAL GRID**

and \_\_\_\_\_

**(“Party A”)**

**(“Party B”)**

**established as a corporation**

**established as a \_\_\_\_\_**

**with company number 05-0187805**

**with company number [tax ID number]**

**under the laws of the State of Rhode Island**

**under the laws of the State of \_\_\_\_\_**

## Part 1. Termination Provisions

(a) **“Specified Entity”** means in relation to Party A for the purpose of:

Section 5(a)(v), None Specified  
Section 5(a)(vi), None Specified  
Section 5(a)(vii), None Specified  
Section 5(b)(iv), None Specified

and in relation to Party B for the purpose of:

Section 5(a)(v), Affiliates  
Section 5(a)(vi), None Specified  
Section 5(a)(vii), None Specified  
Section 5(b)(iv), None Specified

(b) **“Specified Transaction”** will have the meaning specified in Section 14 of this Agreement, except that such term is amended on line 8 after the words “currency option” by adding a comma and the words “agreement for the purchase, sale or transfer of any commodity or any other commodity trading transaction.” For this purpose, “commodity” means any tangible or intangible commodity of any type or description (including, without limitation, electric energy and/or capacity, petroleum and natural gas, and the products or by-products thereof).

(c) **“Cross Default”** applies to Party A and Party B. Section 5(a)(vi) is hereby amended by adding at the end thereof the following words: *provided, however*, that, notwithstanding the foregoing, an Event of Default shall not occur under either (1) or (2) above if (A) (I) the default, or other similar event or condition referred to in (1) or the failure to pay referred to in (2) is a failure to pay or deliver caused by an error or omission of an administrative or operational nature, and (II) funds or the asset to be delivered were available to such party to enable it to make the relevant payment or delivery when due, and (III) such payment or delivery is made within three (3) Local Business Days following receipt of written notice from an interested party of such failure to pay, or (B) such party was precluded from paying, or was unable to

pay, using reasonable means, through the office of the party through which it was acting for purposes of the relevant Specified Indebtedness, by reason of force majeure, illegality or impossibility.

“**Specified Indebtedness**” has the meaning specified in Section 14.

“**Threshold Amount**” means with respect to Party A, 2% of its Shareholders’ Equity, and with respect to Party B, \_\_\_% of its Shareholders’ equity (**or a dollar amount determined by Credit**).

- (d) The “**Credit Event Upon Merger**” provisions of Section 5(b)(iv) of this Agreement will apply to Party A, and its Credit Support Provider, if any, and Party B, and its Credit Support Provider, if any; *provided, however*, that the phrase “materially weaker” means the senior long-term debt (or current corporate credit rating) of the resulting, surviving or transferee entity is rated less than BBB by Standard & Poor’s Rating Group (“S&P”) or Baa2 by Moody’s Investor Services, Inc. (“Moody’s”).

Section 5(b)(iv) is hereby amended by adding the following between the closing parenthesis and the semicolon at the end thereof:

“*provided, however*, that the foregoing action or event shall not constitute a Termination Event if after such action or event the resulting, surviving, or transferee entity (which entity is the successor-in-interest to such party) is directly or indirectly owned or controlled by X’s Credit Support Provider, if any, and the Credit Support Documents supporting such party’s obligations remain in full force and effect.

- (e) The “**Automatic Early Termination**” provisions of Section 6(a) will not apply to Party A and will not apply to Party B, *provided, however*, that the “Automatic Early Termination” provision of Section 6(a) will apply to either such party if at any time an Event of Default specified in Section 5(a)(vii) (1), (2), (3), (4), (5), (6) or, to the extent analogous thereto, (8), with respect to a party has occurred and is then continuing, and either (A) the relevant voluntary or involuntary case or other proceeding or bankruptcy or insolvency giving rise to an Event of Default specified in such Sections is governed by a system of law which in the judgment of the Non-Defaulting Party, does not permit the termination and liquidation of Transactions after the occurrence of the relevant Event of Default or (B) any court, tribunal or regulatory authority with competent jurisdiction acting pursuant to any such system of law makes an order which has or purports to have the effect of prohibiting the other party from designating an Early Termination Date in respect of all outstanding Transactions at any time after such Event of Default has occurred.

- (f) **Payments on Early Termination.** For purposes of Section 6(e) will not apply:

(i) “Loss” will apply, and

(ii) “Second Method” will apply.

- (g) “**Termination Currency**” means United States Dollars.

- (h) **This section should only be added if there will not be a CSA on the agreement:**

**Additional Event of Default: Adequate Assurance.** The word “or” is deleted at the end of Section 5(a)(vii), the period at the end of Section 5(a)(viii) is deleted and replaced by “; or” and the following new section 5(a)(ix) is added:

The party (“Providing Party”) fails to provide adequate assurance of its ability to perform all of its outstanding obligations to the other party (“Requesting Party”), whether hereunder or otherwise, within two Local Business Days of a written request therefore from the other party when the other party has reasonable grounds for insecurity. Adequate assurance shall be provided, at Providing Party’s option either in cash or by a letter of credit issued by a bank acceptable to the Requesting Party under language and in a form acceptable to the Requesting Party, in an amount that would reasonably assure the Providing Party’s ability to make the Requesting Party whole for any potential failure by the Providing Party to meet its outstanding obligations to the Requesting Party under this Agreement.

## Part 2. Tax Representations

- (a) **Party A and Party B Payer Tax Representations.** For the purpose of Section 3(e), each of Party A and Party B makes the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e)) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f); (ii) the satisfaction of the agreement of the other party contained in Section 4(a)(i) or 4(a)(iii) and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii); and (iii) the satisfaction of the agreement of the other party contained in Section 4(d), *provided* that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

- (b) **Payee Tax Representations**

- (i) For the purpose of Section 3(f), Party A makes the following representation:

It is a corporation duly organized under the laws of the State of Rhode Island, is not a foreign corporation for U.S. tax purposes, and has the following U.S. tax identification number: 05-0187805.

- (ii) For the purpose of Section 3(f), Party B makes the following representation:

It is a U.S. corporation duly organized and incorporated under the laws of the State of \_\_\_\_\_, is not a foreign corporation for tax purposes, and has the following U.S. tax identification number: \_\_\_\_\_.

## Part 3. Agreement to Deliver Documents

For the purpose of Sections 4(a)(i) and (ii), each party agrees to deliver the following documents, as applicable:

- (a) Tax forms, documents or certificates to be delivered are:

**Party required  
to deliver**

**document**

**Form/Document/Certificate**

**Date by which to be delivered**

Party A  
and  
Party B

An executed United States Internal Revenue Service Form W-9 (or any successor thereto).

(i) Upon the execution of this Agreement;  
(ii) promptly upon reasonable demand by the other party; and (iii) promptly upon any Form W-9 (or any successor thereto) previously provided by the other party becoming obsolete or incorrect, including on each January 1 following the execution of this Agreement.

(b) Other documents to be delivered are:

<b><u>Party required to deliver document</u></b>	<b><u>Form/Document/Certificate</u></b>	<b><u>Date by which to be delivered</u></b>	<b><u>Covered by Section 3(d) Representation</u></b>
Party A and Party B	Evidence of capacity, authority and specimen signatures with respect to the party's and its Credit Support Provider's (if any) signatories executing this Agreement, each Transaction and any Credit Support Document.	Upon execution of this Agreement.	Yes
Party A and Party B	Either (1) a signature booklet containing secretary's certificate and resolutions ("authorizing resolutions") authorizing the party to enter into derivatives transactions of the type contemplated by the parties or (2) a secretary's certificate, authorizing resolutions and incumbency certificate for such party and any Credit Support Provider of such party reasonably satisfactory in form and substance to the other party.	Upon execution of this Agreement.	Yes
Party A and Party B	The Credit Support Documents attached hereto.	Upon execution of this Agreement.	No
Party A	A copy of the annual report of such party (or its Credit Support Provider) containing unaudited consolidated financial statements for each such fiscal year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized.	Promptly following demand by the other party, but in no event later than 120 days after the end of each fiscal year of such party (or its Credit Support Provider), if such financial statement is not available on "EDGAR" or such party's (or such party's Credit Support Provider's) internet home page.	Yes
Party B	A copy of the annual report of such party (or its Credit Support Provider) containing audited consolidated financial statements for each such fiscal year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized.	Promptly following demand by the other party, but in no event later than 120 days after the end of each fiscal year of such party (or its Credit Support Provider), if such financial statement is not available on "EDGAR" or such party's (or such party's Credit Support Provider's) internet home page.	Yes



Party A appoints as its Process Agent: None.

Party B appoints as its Process Agent: \_\_\_\_\_.

(e) **Offices.** The provisions of Section 10(a) will apply to Party A and to Party B.

(f) **Multibranch Party.** For the purpose of Section 10(c):

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

(g) **Calculation Agent.** Party A and Party B shall be co-Calculation Agents; *provided* that if the parties are unable to agree within two Local Business Days to a calculation for a Transaction, then Party A and Party B will negotiate in good faith to agree on an independent third party dealer with experience in the industry that will make the relevant calculation and, if they cannot so agree within three Local Business Days, each of Party A and Party B will promptly choose an independent third party dealer with experience in the industry and instruct the parties so chosen to agree on another independent third party that will make the relevant calculation. Any calculation, determination or selection pursuant to these provisions by an independent third party will be binding in the absence of manifest error. The costs of any independent third party called upon to make such a calculation, determination or selection will be borne equally by Party A and Party B. If an Event of Default has occurred and is continuing with respect to a party, the Calculation Agent shall be the Non-Defaulting Party until such time as the Defaulting Party is no longer a Defaulting Party.

Failure of a party acting as a Calculation Agent to comply with or perform any of its obligations in that capacity shall not be an Event of Default with respect to such party under this Agreement. The sole remedy of the other party with respect to such failure will be the right, but not the obligation, upon notice to the non-performing Calculation Agent, and *provided* that such failure is continuing, to designate itself as a replacement Calculation Agent for as long as such failure continues. If such right is exercised, the designation shall be binding on the party then currently designated as the Calculation Agent.

(h) **Credit Support Documents.** “Credit Support Document” means: (i) the Guaranty dated the date hereof by \_\_\_\_\_ in favor of Party A as beneficiary in the form of Exhibit A and (ii) the ISDA Credit Support Annex and Supplementary Paragraph 13 appended hereto, and dated the date hereof between Party A and Party B.

(i) **Credit Support Provider** means in relation to Party A: None

**Credit Support Provider** means in relation to Party B: \_\_\_\_\_.

(j) **Governing Law; Jurisdiction.** This Agreement, including each Credit Support Document and each Confirmation, will be governed by and construed in accordance with the laws of the State of New York, without reference to its choice of law doctrine. Section 13(b) is amended by: (1) deleting “non-” from the second line of clause (i); and (2) deleting the final paragraph.

(k) **Waiver of Jury Trial.** 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 Proceedings relating to this Agreement, including any Credit Support Document or Confirmation.

(l) **“Affiliate”** has the meaning specified in Section 14, but with respect to Party A, the term “Affiliate” shall not include any Affiliate of Party A that is subject to the rate regulation of a state public utility commission.

## Part 5. Other Provisions



- (a) **Consents.** Section 3(a)(iv) is amended by deleting the word “All” at the beginning of such section and substituting the following in its place: “Except as may be specified in writing to the other party or acknowledged in writing by the other party prior to the trade date for a specific Transaction, all”.
- (b) **Absence of Certain Events.** Section 3(b) is amended by adding “(except as may be specified in writing to the other party or acknowledged in writing by the other party prior to the trade date for a specific Transaction)” after the word “Default” in each place that such word appears in such section.
- (c) **Representations.** Section 3 is hereby amended by adding at the end thereof the following subsections (g), (h), (i) and (j):
- (g) Line of Business. (i) It is entering into this Agreement, including without limitation, any Credit Support Document to which it is a party and each Transaction, in conjunction with its line of business or the financing of its business; and (ii) with respect to Options (other than weather-related options), it is a producer, processor, commercial user of, or merchant handling, the commodity subject to the Transaction or the products or byproducts thereof, and is entering into each Option Transaction solely for purposes related to its business as such.
- (h) Eligible Swap Participant. It is an “eligible contract participant” under Section 1a(12) (7 U.S.C. § 1a(12)(2001)) of the Commodity Exchange Act, as amended.
- (i) Customization and Creditworthiness. The economic terms of this Agreement, any Credit Support Document to which it is a party, and each Transaction have been individually tailored and negotiated by it; the creditworthiness of the other party was a material consideration in its entering into or determining the terms of this Agreement, such Credit Support Document and such Transaction.
- (j) No Reliance. In connection with the negotiation of, the entering into, and the confirming of the execution of this Agreement, any Credit Support Document to which it is a party, and each Transaction: (i) it is acting for its own account; (ii) the other party is not acting as a fiduciary or financial or investment advisor for it; (iii) it is not relying upon any representations (whether written or oral) of the other party other than the representations expressly set forth in this Agreement and in such Credit Support Document; (iv) it has not been given by the other party (directly or indirectly through any other person) any advice, counsel, assurance, guaranty, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (either legal, regulatory, tax, financial, accounting, or otherwise) of this Agreement, such Credit Support Document, or such Transaction; (v) it has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors to the extent it has deemed necessary, and it has made its own investment, trading, hedging, and other decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary, and not upon any view expressed by the other party; (vi) its decisions have been the result of arm’s length negotiations between the parties; and (vii) it is entering into this Agreement, such Credit Support Document, and such Transaction with a full understanding of all of the risks hereof and thereof (economic and otherwise), and it is capable of assuming and willing to assume those risks.
- (d) **Termination of Specified Transactions.** The occurrence or designation of an Early Termination Date on account of an Event of Default or Additional Termination Event with respect to a party hereto (“Y”) shall constitute a material breach and event of default (howsoever described) under all Specified Transactions to which Y is a party, whereupon the Non-defaulting Party (“X”) shall have the right to terminate, liquidate and otherwise close out any such Specified Transactions (and Y shall be liable for any damages suffered by X as a result thereof).

(e) **Setoff.**

(i) Upon the designation or deemed designation of an Early Termination Date, in addition to and not in limitation of any other right or remedy (including any right to setoff, counterclaim, or otherwise withhold payment) under applicable law, the Non-defaulting Party or the non-Affected Party (in either case, "X") may, at its option and in its discretion, setoff any amounts payable by X (or any of X's Affiliates) to the Defaulting Party or Affected Party (in either case, "Y") under the Agreement or otherwise, against any amounts payable by Y to X (or any of X's Affiliates) under the Agreement or otherwise (irrespective of currency, place of payment or booking office of obligation). The obligations of Y and X under the Agreement in respect of such amounts shall be deemed satisfied and discharged to the extent of any such setoff. X will give Y notice of any setoff effected under this Section as soon as practicable after the setoff is effected, *provided* that failure to give such notice shall not affect the validity of the setoff.

(ii) For purposes of the foregoing, X shall be entitled to convert any obligation denominated in one currency into another at such rates of exchange as it deems appropriate in good faith and in a commercially reasonable manner, to convert any obligation to deliver non-cash property into an obligation to deliver cash in an amount determined by it as it deems appropriate in good faith and in a commercially reasonable manner, and amounts may be setoff and recouped irrespective of the currency, place of payment or booking office of any obligation to or from Y.

(iii) If an obligation is unascertained, X as appropriate, may in good faith estimate that obligation and setoff and recoup in respect of that estimate, subject to the relevant party's accounting to the other(s) when the obligation is ascertained.

(iv) Nothing in this subsection shall be effective to create a charge or other security interest. This subsection shall be without prejudice and in addition to any right of setoff, recoupment, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

(f) **Audit.** Each Party has the right, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation relating to a Transaction made pursuant to this Agreement. This Section will survive any termination or expiration of a particular Transaction under this Agreement for a period of one (1) year from the date of such termination or expiration for the purpose of such statement and payment objections.

(g) **Confidentiality.** The contents of this Agreement and all other documents relating to this Agreement, and any information made available by one party or its Credit Support Provider to the other party or its Credit Support Provider with respect to this Agreement are confidential and shall not be disclosed to any third party (nor shall any public announcement relating to this Agreement be made by either party), except for such information (i) as may become generally available to the public other than a result of a violation of this Agreement, (ii) as may be required or appropriate in response to any summons, subpoena, or otherwise in connection with any litigation or to comply with any applicable law, order, regulation, ruling, or accounting disclosure rule or standard, (iii) as may be obtained from a non-confidential source that disclosed such information in a manner that did not violate its obligations to the non-disclosing party or its Credit Support Provider in making such disclosure, or (iv) as may be furnished to the disclosing party's Affiliates, and to each of such person's auditors, attorneys, advisors or lenders which are required to keep the information that is disclosed in confidence.

(h) **Limitation of Liability.** No party shall be required to pay or be liable for incidental, consequential, indirect or punitive damages to any other party except to the extent that the payments required to be made pursuant to this Agreement are deemed to be such damages. If and to the extent any payment required to be made pursuant to this Agreement is deemed to constitute liquidated damages, the parties acknowledge and agree that such damages are difficult or impossible to determine and that such payment is intended to be a reasonable approximation of the amount of such damages and not a penalty.

- (i) **Waiver.** No waiver by either Party A or Party B of any one or more defaults by the other in the performance of any of the provisions of this Agreement shall operate or be construed to be a waiver of any other default or defaults whether of a like kind or different nature.
- (j) **Definitions.**
  - (i) A new definition is added in Section 14 as follows:

“Business Day” means any day except Saturday, Sunday or a Federal Reserve Bank holiday. A Business day shall open at 8:00 a.m. and close at 5:00 p.m. local time for each Party’s principal place of business.
  - (ii) The definition of “Local Business Day” in Section 14 is deleted in its entirety. All references to “Local Business Day” are deleted and replaced with “Business Day.”
- (k) **Recording.** Each party consents to the recording, at any time and from time to time, by the other party of any and all telephone communications between the trading and marketing personnel of the parties and their agents in connection with this Agreement or any Transaction hereunder, and waives any further notice of such recording. Promptly upon the request by a party, the other party will provide a copy of such recording to the party making the request. Each party agrees (i) to secure such recordings from improper access, (ii) not to distribute or make public any recording without the prior written consent of the other party, subject to applicable law, and (iii) that such recordings may be submitted in evidence in any proceeding or action relating to this Agreement.
- (l) **ISDA Definitions.** This Agreement and each Transaction are subject to the 2000 ISDA Definitions as modified and updated (the “2000 Definitions”), and the 2005 ISDA Commodity Derivatives Definitions as modified and updated (the “2005 Definitions”), (collectively, the “Definitions”), each as published by the International Swaps and Derivatives Association, Inc. (“ISDA”), and will be governed in all respects by the Definitions, but without regard to any further amendments, supplements, updates or restatements made to the Definitions after the effective date of this Agreement unless specifically agreed to in writing by the parties (except that any references to “Swap Transactions” in the Definitions will be deemed to be references to “Transactions”). The Definitions are incorporated by reference in, and made part of, this Agreement and each relevant Confirmation as if set forth in full in this Agreement and such Confirmation. In the event of any inconsistency between the 2000 Definitions and the 2005 Definitions, the 2005 Definitions will govern. In the event of any inconsistency between the provisions of this Agreement and the Definitions, this Agreement will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Agreement or the Definitions, such Confirmation will prevail for the purpose of the relevant Transaction.
- (m) **Severability.** If any term, provision, covenant or condition of the Agreement, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable (in whole or in part) for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Agreement had been executed with the invalid or unenforceable portion eliminated, so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Agreement and the deletion of such portion of this Agreement will not substantially impair the respective benefits or expectations of the parties to this Agreement; *provided, however,* that this severability provision shall not be applicable if any provision of Sections 1(c), 2, 5, 6, (or any definition or provision in Section 14 to the extent it relates to, or is used or in connection with any such Section) shall be so held to be invalid or unenforceable.
- (n) **Accounts.** If a Confirmation does not state the account to which payments are to be made, they shall be made to the following accounts by wire transfer (wire transfer shall include, but not be limited to, Automated Clearing House transfers and Federal Wire Transfers):

Party A:

Payment to: Bank of America  
For credit to: The Narragansett Electric Company d/b/a National Grid

Attention: Accounting  
Tel: 516-545-6070  
Fax: 516-545-5469

Party B: \_\_\_\_\_

- (o) **Termination of Agreement.** Either party may terminate this Agreement upon thirty (30) days advance written notice to the other party; *provided, however*, such termination shall not affect or excuse the performance of either party under any provision of this Agreement that by its terms survives any such termination; and *provided, further*, that this Agreement shall remain in effect with respect to any 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).

**IN WITNESS WHEREOF**, the parties have executed this Schedule by their duly authorized officers as of the date hereof.

**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID**

By: \_\_\_\_\_  
Name: John Vaughn  
Title: Authorized Representative  
Date:

**COUNTERPARTY**

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

EXHIBIT A: FORM OF GUARANTY (PARTY B)

# ISDA®

International Swaps and Derivatives Association, Inc.

**Paragraph 13**  
**to the**  
**Credit Support Annex**  
**to the Schedule to the 1992 ISDA Master Agreement**  
**dated as of \_\_\_\_\_**  
**between**  
**THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID**  
**a corporation organized under the laws of the State of Rhode Island**  
**(“Party A”)**  
**and**  
**a \_\_\_\_\_ organized under the laws of the State of \_\_\_\_\_**  
**(“Party B”)**

**Paragraph 13. Elections and Variables.**

(a) **Security Interest for “Obligations.”** The term “Obligations” as used in this Annex includes no additional obligations with respect to Party A and Party B.

(b) **Credit Support Obligations.**

(i) **Delivery Amount, Return Amount and Credit Support Amount:**

(A) **“Delivery Amount”** has the meaning specified in Paragraph 3(a).

(B) **“Return Amount”** has the meaning specified in Paragraph 3(b).

(C) **“Credit Support Amount”** has the meaning specified in Paragraph 3.

(ii) **Eligible Collateral.** The following item will qualify as **“Eligible Collateral”** for the party specified:

	<b>Party A</b>	<b>Party B</b>	<b>Valuation Percentage</b>
Cash	[X]	[X]	[100]%

(iii) **Other Eligible Support.** The following item will qualify as **“Other Eligible Support”** for the party specified:

	<b>Party A</b>	<b>Party B</b>	<b>Valuation Percentage</b>
Letters of Credit	[X]	[X]	[*]%

\* 100% unless either (i) a Letter of Credit Default shall apply 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 case the Valuation Percentage shall be zero.

(iv) **Thresholds.**

(A) **“Independent Amount”** means, with respect to Party A: None, unless otherwise specified in the applicable Confirmation.

**“Independent Amount”** means, with respect to Party B: None, unless otherwise specified in the applicable Confirmation.

(B) **“Threshold”** means, with respect to Party A, the amount set forth below opposite the lowest Credit Rating for such party on the Valuation Date, *provided, however*, that the Threshold for Party A shall be zero (“0”) if on the Valuation Date Party A 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 Party A has occurred and is continuing.

Or

**“Threshold”** means, with respect to Party A, the amount set forth below opposite the lowest Credit Rating for such party on the Valuation Date; *provided, however*, if Party A has provided a guaranty from its Credit Support Provider (in a form mutually acceptable to the parties), then Party A’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 Party A’s Credit Support Provider on the Valuation Date; and *provided, further*, the Threshold for Party A shall be zero if on the Valuation Date, (i) Party A or its Credit Support Provider (if Party A 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 Party A or its Credit Support Provider has occurred and is continuing or (iii) the guaranty, if any, provided by Party A fails to be in full force and effect unless Party A is relying on its own Credit Rating to establish its Threshold pursuant to the table below.

<b>Party A Threshold</b>	<b>Moody’s Credit Rating</b>	<b>S&amp;P Credit Rating</b>
\$	A3 or above	A- or above
\$	Baa1 or Baa2	BBB+ or BBB
\$ 0 (zero)	Baa3 or below	BBB- or below

**“Threshold”** means, with respect to Party B, the amount set forth below opposite the lowest Credit Rating for such party on the Valuation Date, *provided, however*, that the Threshold for Party B shall be zero (“0”) if on the Valuation Date Party B 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 Party B has occurred and is continuing.

Or

**“Threshold”** means, with respect to Party B, the amount set forth below opposite the lowest Credit Rating for such party on the Valuation Date; *provided, however*, if Party B has provided a guaranty from its Credit Support Provider (in a form mutually acceptable to the parties), then Party B’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 Party B’s Credit Support Provider on the Valuation Date; and *provided, further*, the Threshold for Party B shall be zero if on the Valuation Date, (i) Party B or its Credit Support Provider (if Party B 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 Party B or its Credit Support Provider has occurred and is continuing or (iii) the guaranty, if any, provided by Party B fails to be in full force and effect unless Party B is relying on its own Credit Rating to establish its Threshold pursuant to the table below.

Party B Threshold	Moody's Credit Rating	S&P Credit Rating
\$	A3 or above	A- or above
\$	Baa1 or Baa2	BBB+ or BBB
\$ 0 (zero)	Baa3 or below	BBB- or below

(C) **“Minimum Transfer Amount”** means with respect to Party A and Party B: \$1.00.

(D) **Rounding.** The Delivery Amount will be rounded up, and the Return Amount will be rounded down, in each case to the nearest integral multiple of \$100,000.

(c) **Valuation and Timing.**

(i) **“Valuation Agent”** means, for purposes of Paragraphs 3, the party making the demand under Paragraph 3; for purposes of Paragraph 4(d), the Secured Party for purposes of calculating the Value of the Substitute Credit Support and Posted Credit Support involved in the substitution; for purposes of Paragraph 5, the Secured Party; and for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable; *provided, however,* that in all cases, if an Event of Default or Potential Event of Default or Specified Condition 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 or Specified Condition continues, the other party shall be the Valuation Agent.

(ii) **“Valuation Date”** means each Business Day.

(iii) **“Valuation Time”** means the close of business in the city of the Valuation Date or date of calculation, as applicable; *provided* that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) **“Notification Time”** means 1:00 p.m., New York time, on a Business Day.

(d) **Conditions Precedent and Secured Party's Rights and Remedies.** The following Termination Event(s) will be a **“Specified Condition”** for the party specified (that party being the Affected Party if the Termination Event occurs with respect to that party) unless the Affected Party provides Eligible Credit Support to the non-Affected Party in an amount reasonably acceptable to the non-Affected Party:

<u>Specified Condition</u>	Party A	Party B
Credit Event Upon Merger	[X]	[X]
Additional Termination Event(s):	[X]	[X]

Additional Termination Event for the purpose of this Annex shall have the same meaning as the Additional Event of Default set forth in Section 1(h) of the Schedule to the Agreement.

(e) **Substitution.**

(i) **“Substitution Date”** has the meaning specified in Paragraph 4(d)(ii).

(ii) **Consent.** The Pledgor must obtain the Secured Party's consent for any substitution pursuant to Paragraph 4(d).

(f) **Dispute Resolution.**

(i) **“Resolution Time”** means 1:00 p.m., New York time, on the Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5.

- (ii) **Value.** For the purpose of Paragraphs 5(i)(C) and 5(ii), Value, with respect to Posted Credit Support and/or Eligible Collateral, shall have the meaning in Paragraph 12, and Value, with respect to Other Posted Support and/or Other Eligible Support, means the Valuation Percentage multiplied by the amount then available under the Letter of Credit to be unconditionally drawn by the Secured Party.
- (iii) **Transfer Timing.** The provisions of Paragraph 5 will apply except to the following extent: pending the resolution of a dispute, Transfer of the (a) undisputed Delivery Amount or Return Amount or (b) undisputed Value of Eligible Credit Support or Posted Credit Support involved in the relevant demand will be due as provided in Paragraph 5 if the demand is made at or before the Notification Time but will be due on the second Business Day after the demand if the demand is made after the Notification Time.

(g) **Holding and Using Posted Collateral.**

- (i) **Eligibility to Hold Posted Collateral; Custodians.** Party A and its Custodian, and Party B and its Custodian, will be entitled to hold Posted Collateral itself or through a Custodian pursuant to Paragraph 6(b); *provided* that the following conditions applicable to it are satisfied:
  - (A) Party A, as the Secured Party, is not a Defaulting Party and maintains a Credit Rating of at least BBB+ from S&P and Baa1 from Moody's.
  - (B) Neither Party B, as the Secured Party, nor its Credit Support Provider, is a Defaulting Party, and its Credit Support Provider maintains a Credit Rating of at least BBB+ from S&P and Baa1 from Moody's.
  - (C) The Custodian for either Party A or Party B shall be a Qualified Institution. The Custodian shall hold Posted Collateral in a segregated, safekeeping or custody account within the Custodian, subject to the security interest of the Secured Party. The Custodian shall not be an Affiliate of Party A or Party B.
  - (D) Posted Collateral may be held only in the following jurisdictions: United States of America.
  - (E) The Secured Party may direct the Pledgor to transfer or deliver Eligible Collateral directly into the Secured Party's Collateral Account(s). If otherwise qualified, the Secured Party may act as such Qualified Institution and the Secured Party may move the Collateral Accounts from one Qualified Institution to another upon reasonable advance notice to the Pledgor. The Secured Party shall cause statements concerning the Posted Collateral transferred or delivered by the Pledgor to be sent to the Pledgor on request, which may not be made more frequently than once in each calendar month. If Posted Collateral is moved from one Custodian to another Custodian in accordance with this provision, the Secured Party shall cause a statement concerning the transferred Posted Collateral to be provided to the Pledgor by both the transferring Custodian and the transferee Custodian detailing the transfer.

Initially, the **Custodian** for Party A is: not applicable.

Initially, the **Custodian** for Party B is: not applicable.

- (ii) **Use of Posted Collateral.** The provisions of Paragraph 6(c) will apply to the Parties.

(h) **Distributions and Interest Amount.**

- (i) **Interest Rate.** The "**Interest Rate**" will be the per annum rate equal to the overnight Federal Funds Rate for each day cash is held by the Secured Party as reported in Federal Reserve Publication H.15-519.



- (ii) **Transfer of Interest Amount.** The Transfer of the Interest Amount will be made on the third Business Day of each calendar month and on any Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).
- (iii) **Alternative to Interest Amount.** The provisions of Paragraph 6(d)(ii) will apply.
- (i) **Other Eligible Support and Other Posted Support.**
  - (i) **“Value”** with respect to Other Eligible Support and Other Posted Support shall have the meaning set forth in Paragraph 13(f)(ii).
  - (ii) **“Transfer”** with respect to Other Eligible Support and Other Posted Support means:
    - (A) For purposes of Paragraph 3(a), delivery of the Letter of Credit by the Pledgor or issuer of the Letter of Credit to the Secured Party at the address of the Secured Party specified in the Notice Section of this Agreement, or delivery of an executed amendment to such Letter of Credit (extending the term or increasing the amount available to the Secured Party thereunder) by the Pledgor or the issuer of the Letter of Credit to the Secured Party at the address of the Secured Party specified in the Notices Section of this Agreement; and
    - (B) For purposes of Paragraph 3(b), by the return of an outstanding Letter of Credit by the Secured Party to the Pledgor, at the address of the Pledgor specified in the Notices Section of this Agreement, or delivery of an executed amendment to the Letter of Credit in form and substance satisfactory to the Pledgor (reducing the amount available to the Secured Party thereunder) by the Pledgor or the issuer of the Letter of Credit to the Secured Party at the Secured Party’s address specified in the Notices Section of this Agreement. If a Transfer is to be effected by a reduction in the amount of an outstanding Letter of Credit previously issued for the benefit of the Secured Party, the Secured Party shall not unreasonably withhold its consent to a commensurate reduction in the amount of such Letter of Credit and shall take such action as is reasonably necessary to effectuate such reduction.
  - (iii) As one method of providing Other Eligible Support, the Pledgor may increase the amount of an outstanding Letter of Credit or establish one or more additional Letters of Credit.
  - (iv) Notwithstanding Paragraphs 3 and 4, (1) the Secured Party need not return a Letter of Credit unless the entire principal amount is required to be returned, (2) the Secured Party 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 Credit Support when a Return Amount is to be Transferred, the Secured Party may elect which to Transfer.
- (j) **Certain Rights and Remedies.**
  - (i) **Secured Party’s Rights and Remedies.** For the purposes of Paragraph 8(a)(ii), the Secured Party shall have the right to draw on any outstanding Letter of Credit to the extent an amount (including any Transfer of Eligible Credit Support or Posted Credit Support) is due and owing and remains unpaid (beyond the time allowed for such payment under this Agreement, including following any related notice or grace period or both) to the Secured Party by the Pledgor with respect to any Obligations.

The Cash proceeds received from drawing upon the Letter of Credit shall be deemed Posted Collateral held as security for the Pledgor’s Obligations to the Secured Party and the Secured Party shall have rights and remedies set forth in Paragraph 8(a)(i) with respect to such Cash proceeds. Notwithstanding the Secured Party’s receipt of Cash proceeds from a drawing under the Letter of Credit, the Pledgor shall remain liable for (y) any failure to Transfer sufficient Eligible

Credit Support and/or (z) any amounts owing to the Secured Party and remaining unpaid after the application of the amounts so drawn by the Secured Party.

- (ii) **Pledgor's Rights and Remedies.** Paragraph 8(b)(iii) shall be deleted and replaced with the following: "the Secured Party shall not be required to Transfer any Posted Collateral, Other Posted Support or the Interest Amount to the Pledgor so long as the Pledgor has a Delivery Amount under Paragraph 3(a) unless the Secured Party is otherwise required to Transfer the Return Amount to the Pledgor under Paragraph 3(b)."
  
- (k) **Other Provisions.**
  - (i) **Events of Default.** Paragraph 7 shall be amended so that the references in Paragraph 7(ii) and Paragraph 7(iii) to "five Business Days" and "30 days" respectively, shall instead be replaced by "three Business Days" and "fifteen Business Days," respectively.
  - (ii) Paragraph 7(i) is deleted in its entirety and replaced with the following:

"(i)(a) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Credit Support, Posted Credit Support or the Interest Amount, as applicable, required to be made by it and that failure continues for two Business Days after notice of that failure is given to such party; (b) upon the occurrence of a Letter of Credit Default, the Pledgor fails to Transfer Eligible Credit Support to the Secured Party in an amount equal to the then current Delivery Amount upon the earlier of (1) the date upon which the Pledgor becomes aware of the Letter of Credit Default or (2) the first Business Day after written demand by the Secured Party (or the third Business Day if only clause (i) under the definition of Letter of Credit Default applies);"
  - (iii) Paragraph 7(iii) of this Annex is amended by adding the words "under this Annex" after the words "or obligation" in line 1.
  - (iv) This Credit Support Annex is a Security agreement under the provisions of the Uniform Commercial Code of the State of New York.
  - (v) Paragraph 12 of this Annex is amended by adding the following new definitions:

**"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.

**"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 (i) the issuer of the Letter of Credit shall fail to maintain a Credit rating of at least "A" by S&P and "A3" by Moody's; (ii) 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; (iii) 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 (iv) 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 3 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 Annex.

“**Moody’s**” shall mean Moody’s Investors Service, Inc. or its successor.

“**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.

“**S&P**” shall mean the Standard & Poor’s Rating Group (a division of McGraw-Hill, Inc.) or its successor.

(vi) Paragraph 12 of this Annex is further amended by deleting the definition of “Business Day.” All references to “Business Day” in this Annex are deleted and replaced with “Business Day” as defined in Section 14 of the Agreement.

(l) **Demand and Notices.** All demands, specifications and notices under this Annex will be made pursuant to the Notices Section of this Agreement, unless otherwise specified here:

Party A	100 E. Old Country Rd. Hicksville, New York 11801 Attn: Credit Operations	Telephone: 516-545-3122 Facsimile: 516-545-5466
Party B	_____ _____ Attn: _____	Telephone: _____ Facsimile: _____

(m) **Addresses for Transfers.**

Party A: Payment to: Bank of America  
For Account of: The Narragansett Electric Company d/b/a National Grid

Party B: Payment to: \_\_\_\_\_  
For Account of: \_\_\_\_\_  
Account No.: \_\_\_\_\_  
Fed. ABA No.: \_\_\_\_\_

**IN WITNESS WHEREOF**, the parties have executed this Annex by their duly authorized officers as of the date hereof.

**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID**

By: \_\_\_\_\_  
Name: John Vaughn  
Title: Authorized Representative  
Date:

**COUNTERPARTY**

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

[#256345]

Commission Data Request 1-7

Request:

With regard to Paragraph VI. Attachment List of the APP, please provide page 5 of 5 without Attachments 2-4 redacted where the public versions of Attachments 2-4 include the same titles.

Response:

Please see Attachment RIPUC Data Request 1-7.

**NARRAGANSETT ELECTRIC COMPANY**  
**d/b/a NATIONAL GRID**  
**R.I.P.U.C. DOCKET NO. 4041**  
**PAGE 5 OF 5**

2. Period #2 Transaction

<b>Transaction Month</b>	<b>On-Peak MW</b>	<b>Off-Peak MW</b>
October 2010	220	190
November 2010	230	190
December 2010	260	220
January 2011	250	220
February 2011	250	220
March 2011	220	200
July 2010	220	190

Total On-Peak Quantity: 487,680 MWH  
Total Off-Peak Quantity: 479,310 MWH

### III. Reporting Requirements

The Company will provide quarterly reports showing the results of the settlement of financial contract hedges, requests for proposals for FRS contracts, and forecasted retail rates for each class.

### IV. Cost Recovery

Pursuant to Standard Offer Adjustment Provision, R.I.P.U.C. No. 2002, the Company will file its annual reconciliation in November of each year for costs incurred during the prior October through September period. The Company will include separate reconciliations for large C&I customers and residential and small C&I customers.

### V. Schedule



### VI. Attachment List

Attachment 1: Market Prices: Historical & Forecast  
Attachment 2: Example of Hedging Process using Financial Contract  
Attachment 3: Proposed Solicitation for an Electric Swap Transaction  
Attachment 4: Proposed Confirmation Agreement

Commission Data Request 1-8

Request:

Please provide public versions of Attachments 3 and 4 that only redact the claimed confidential information where the redacted Attachments currently contain information that has been made public in the public version of the APP.

Response:

Please see Attachment RIPUC Data Request 1-8 a & b.

# **Solicitation for an Electric Swap Transaction**

**April XX, 2009**

**nationalgrid**



# **SOLICITATION FOR ELECTRIC SWAP TRANSACTION**

## **1. Overview**

### 1.1 Background

Narragansett Electric Company (“Narragansett”) (d.b.a. as National Grid) serves electric customers in Rhode Island. New Standard Offer Service will begin for all customers served by Narragansett starting January 1, 2010. At this time, Narragansett is requesting a financial swap transaction to develop a hedged electric supply for the residential customers. The solicitation is for energy only.

- It is not a request for Installed Capacity.
- It is not a request for long term renewable contracts.
- It is not a request to build new generating capacity.
- It is not a request for Renewable Energy Certificates (REC).

### 1.2 Solicitation Process and Dates

The leading Suppliers will be selected from the initial pricing submitted and will enter into final negotiations on pricing and ISDA contract terms, including the Credit Annex. The final Supplier will enter into an ISDA agreement with Narragansett Electric Company. The master ISDA template with Credit Annex will be provided upon request. All redline comments and markups to the ISDA template must be provided with the initial pricing. Initial pricing will be non-binding and should be submitted in the EXCEL spreadsheet provided.

The key dates associated with this solicitation process are noted below. 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 solicitation or any appendix thereto and to withdraw this solicitation.

- Submit Initial Pricing & ISDA comments on May XX, 2009 10:00 a.m. EST
- Contract Negotiations & Final Pricing on May XX, 2009

## **2. Solicitation Requirements**

### 2.1 Format of Solicitation

The information required by National Grid to evaluate each proposal is supplied in the EXCEL file provided. Respondents shall complete the file forms and return the EXCEL file via e-mail to Alan P. Smithling as provided in Section 2.4. A sample Bid Form is shown in Attachment 1.

2.2 Transaction Requirements

Narragansett is requesting bids for fixed price financial swap transactions indexed to the ISO-New England Internal Hub. The bid prices are separated into On-Peak and Off-Peak periods. Contracts may be award separately for the two time periods. These swap transactions will not settle on actual prices. All monthly swaps, within a specified period, will settle on the forward prices on the specified settlement date for each period.

**Pricing Points:**

On-Peak Pricing Point: ISO-NE Internal Hub LMP Swap Futures/Peak (symbol “NI”)  
Off-Peak Pricing Point: ISO-NE Internal Hub LMP Swap Futures/OffPeak (symbol “KI”)

**Settlement Dates:**

Period #1 Transaction: [REDACTED]  
Period #2 Transaction: [REDACTED]

**Period #1 Transaction:**

Transaction Month	OnPeak MW	OffPeak MW
January 2010	480	420
February 2010	480	420
March 2010	420	380
April 2010	360	320
May 2010	360	320
June 2010	490	410
July 2010	590	470
August 2010	590	470
September 2010	410	350

**Period #2 Transaction:**

Transaction Month	OnPeak MW	OffPeak MW
October 2010	220	190
November 2010	230	190
December 2010	260	220
January 2011	250	220
February 2011	250	220
March 2011	220	200

National Grid shall have the exclusive right to select or reject any and/or all of the proposals for any time period, submitted at any time, for any reason.

No alternative bid proposals will be evaluated.

### 2.3 Credit Requirements

National Grid will require the winning Supplier(s) to enter into an ISDA Master Agreement with Credit Annex. All Suppliers must submit their redline markups with the Initial Pricing. 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 solicitation.

The contract will require a mark-to-market margining formula used to monitor changing market prices and credit exposure. An example of the mark-to-market (margining) calculation is provided in the EXCEL file.

Questions regarding the ISDA and Credit Annex should be directed to:

Ms. Eboni Troupe  
National Grid  
100 East Old Country Road  
Hicksville, NY 11801  
(516) 545-3122  
e-mail: eboni.troupe@us.ngrid.com

### 2.4 Contact Person and Questions

General questions regarding this Solicitation should be directed to:

Mr. Alan P. Smithling  
National Grid  
300 Erie Boulevard West  
Syracuse, NY 13202  
(315) 428-5622  
e-mail: alan.smithling@us.ngrid.com

# Narragansett Solicitation for an Electric Swap

## ATTACHMENT 1

### BID FORM

Company: \_\_\_\_\_

Contract Hourly Quantity	PERIOD # 1									PERIOD # 2					
	Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Oct-2010	Nov-2010	Dec-2010	Jan-2011	Feb-2011	Mar-2011
On-Peak MW	480	480	420	360	360	490	590	590	410	220	230	260	250	250	220
Off-Peak MW	420	420	380	320	320	410	470	470	350	190	190	220	220	220	200

Bid Price	Period 1	Period 2	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
OnPeak \$/MWh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OffPeak \$/MWh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Only 2 decimal places will be accepted.

Quantity MWhs	Period 1	Period 2	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
OnPeak	1,419,840	487,680	153,600	153,600	154,560	126,720	115,200	172,480	198,240	207,680	137,760	73,920	77,280	91,520	84,000	80,000	80,960
OffPeak	1,383,200	479,310	178,080	147,840	142,880	117,440	135,680	150,880	191,760	184,240	134,400	77,520	73,150	86,240	89,760	77,440	75,200

Weekdays			20	20	23	22	20	22	21	22	21	21	21	22	21	20	23
Days in Month			31	28	31	30	31	30	31	31	30	31	30	31	31	28	31
OnPeak Hours			320	320	368	352	320	352	336	352	336	336	336	352	336	320	368
OffPeak Hours			424	352	376	367	424	368	408	392	384	408	385	392	408	352	376
Total Hours			744	672	744	719	744	720	744	744	720	744	721	744	744	672	744

**[Company]  
[Address]**

**[Date]**

**C O N F I R M A T I O N  
For Period #1**

This confirmation letter (“Confirmation”) shall confirm the Transaction agreed to on the Trade Date specified below between [Company] and Narragansett Electric Company (“Narragansett”) regarding the sale of the Product under the terms and conditions below. This Confirmation is being provided pursuant to and in accordance with the ISDA Master Agreement dated \_\_\_\_\_, 2009 (the “Master Agreement”) between [Company] and Narragansett, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement. If there is a discrepancy between this Confirmation and the Master Agreement, the terms and conditions of this Confirmation shall control.

**1. Terms of Transaction**

The Terms of the Transaction to which this Confirmation relates are as follows:

**Trade Date:** [\_\_\_\_\_]

**Fixed Price Payor:** NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID

**Floating Price Payor:** [COMPANY]

**Type of Transaction:** Financial Swap

**Calculation Period:** Each calendar month from January 1, 2010 through September 30, 2010 (inclusive)

**Settlement Date:** [REDACTED]

**Payment Date(s):** 10 Business Days After Settlement

**Hourly Quantity (MW):**

<b>Transaction Month</b>	<b>On-Peak MW</b>	<b>Off-Peak MW</b>
January 2010	480	420
February 2010	480	420
March 2010	420	380
April 2010	360	320
May 2010	360	320
June 2010	490	410
July 2010	590	470
August 2010	590	470
September 2010	410	350

**Total On-Peak Quantity:** 1,419,840 MWH

**Total Off-Peak Quantity:** 1,383,200 MWH

**Fixed Price:** NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID shall pay US Dollars per the following table, for the period January 1, 2010 thru September 31, 2010:

<b>Transaction Month</b>	<b>On-Peak \$/MWh</b>	<b>Off-Peak \$/MWh</b>
January 2010	0.00	0.00
February 2010	0.00	0.00
March 2010	0.00	0.00
April 2010	0.00	0.00
May 2010	0.00	0.00
June 2010	0.00	0.00
July 2010	0.00	0.00
August 2010	0.00	0.00
September 2010	0.00	0.00

**On-Peak Floating Price:** [COMPANY] shall pay the forward calendar month LMP prices for ISO New England Internal Hub Location Marginal Pricing Swap Futures/Peak (symbol "NI") as defined and published by the New York Mercantile Exchange OTC Settlement Data ("NYMEX") on its website currently located at [http://www.nymex.com/settle\\_fut\\_otc.aspx](http://www.nymex.com/settle_fut_otc.aspx), or any successor thereto, subject to corrections and revisions made from time to time in accordance with the rules of the NYMEX.

**Off-Peak Floating Price:** [COMPANY] shall pay the forward calendar month LMP prices for ISO New England Internal Hub Location Marginal Pricing Swap Futures/Off Peak (symbol "KI") as defined and published by the New York Mercantile Exchange OTC Settlement Data ("NYMEX") on its website currently located at [http://www.nymex.com/settle\\_fut\\_otc.aspx](http://www.nymex.com/settle_fut_otc.aspx), or any successor thereto, subject to corrections and revisions made from time to time in accordance with the rules of the NYMEX.

**On-Peak Hours included:** All Hours Ending ("HE") 08:00 EPT through HE 23:00 EPT on any Commodity Business Day.

**Off-Peak Hours included:** All hours that are not an On-Peak Hour.

**Commodity Business Day:** Monday through Friday, excluding North American Electric Reliability Council (NERC) holidays.

## **2) Buyer Exposure**

Buyer Exposure shall be calculated as follows:

$$\text{Buyer Exposure} = \text{Seller Margin Amount} - \text{Seller Threshold} - \text{Seller Independent Amount}$$

Where:

"Seller Margin Amount" means the sum of (a) Invoiced Amounts, (b) Accrued Amounts, and (c) the Proxy Settlement Amount.

"Seller Independent Amount" means the amount set forth below, and is required through the dates listed in the table, provided, that if the Buyer Exposure is less than \$0, the Seller Independent Amount can be reduced as necessary:

"Seller Threshold" has the meaning specified in the CSA.

"Invoiced Amounts" means the sum of all amounts that have been invoiced, but not yet paid for the Transaction under this Confirmation. Such amount shall be a positive number if owed by Seller to Buyer and a negative amount if owed from Buyer to Seller.

“Accrued Amounts” means the sum of all amounts that been accrued, but not yet invoiced for the Transaction under this Confirmation. Such amount shall be a positive number if owed by Seller to Buyer and a negative amount if owed from Buyer to Seller.

“Proxy Settlement Amount” means the sum of the Daily Proxy Settlement Amounts for each day remaining in the current Calculation Period and all future Calculation Periods for this Transaction.

“Daily Proxy Settlement Amount” means, for a given day, the product of (a) the On-Peak Hourly Quantity and (b) the On-Peak Floating Price for such day minus the On-Peak Fixed Price for such day, plus the product of (c) the Off-Peak Hourly Quantity and (d) the Off-Peak Floating Price for such day minus the Off-Peak Fixed Price for such day.

**3) Seller Exposure** shall be zero.

**4) Credit Terms**

All Credit terms are per the ISDA Master Agreement.

Please confirm that the foregoing correctly sets forth the terms of our agreement by returning an executed copy of this Confirmation by facsimile to [Company] within two (2) Business Days. Failure to respond within such period shall not affect the validity or the enforceability of this Transaction, and shall be deemed an affirmation of the terms and conditions contained herein, absent manifest error. Please return the executed Confirmation to \_\_\_\_\_ at Fax Number \_\_\_\_\_.

[Company Contact]:

Narragansett Contact: Alan P. Smithling at 315-428-5622

**[Company]**

**Narragansett Electric Company**

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Commission Data Request 1-9

Request:

Please explain in detail, each of the reasons the Company is not proposing to enter into full requirements service contracts for 2010 in place of the financial hedge. Please include a detailed outline of the RFP process and timeline that is involved.

Response:

a) The following are the reasons why the Company is not proposing to enter into FRS supply contracts at this time: the solicitation would have a longer bid turnaround time than a financial contract; the Company believes obtaining FRS contracts for periods that start more than twelve months into the future may have higher premiums in the fixed price contracts; and it would take longer to transition to a managed portfolio due to the prolonged laddering effect of the FRS.

b) Estimated Timelines:

	<u>Financial Swap</u>	<u>FRS Contract</u>
a) Issue RFP/Solicitation	2 days after approval	2 days after approval
b) Initial pricing	+ 1 week to 10 days	+ 3 to 4 weeks
c) Final Pricing & Award	+ 2 days	+ 1 week



Commission Data Request 1-10

Request:

Paragraph II.B of the APP states that the Company will “move promptly to take advantage of these current low energy prices by obtaining fixed price financial swap contracts for energy...[and] lock in the prices for the energy component of the projected Small Customer Load.”

- a. Is there a financial instrument available whereby the Company could enter into a price cap contract for the energy component?
- b. What would be the benefits and drawbacks of such a proposal compared to the Company’s fixed price proposal?
- c. If the response to subpart a. is in the affirmative, is it possible for such a proposal to be conducted on the same Schedule as set forth in Paragraph V of the APP?
- d. If the response to subparts a. and c. are in the affirmative, is it possible to issue concurrent RFPs for a fixed price and a price cap for comparison?
- e. If the answer to subparts b and c. are in the affirmative, what are the benefits and drawbacks of doing so?

Response:

a): There are other customized over-the-counter financial instruments available to cap energy prices, but in the interest of lowest transaction cost to its customers, the Company is proposing to use a fixed price swap to lock in current market prices.

b): There are no transaction fees or costs associated with this financial swap contract, which makes it a cost-effective hedging tool, as compared to other over-the-counter financial instruments which may have fees. With respect to entering into FRS supply contracts now for the proposed periods, the Company believes that it may pay a higher premium as compared to a swap contract.

c): At this point the Company believes that a financial swap contract is the most expeditious method of locking in energy prices, as compared to other financial instruments.

d): N/A

e): N/A

Commission Data Request 1-11

Request:

Where the APP proposes a single RFP, what is the purpose of quarterly reports?

Response:

Quarterly reports would be informational only and can provide the current mark-to-market value of any financial hedge positions and include the projected FRS contract prices. These two projections can be used to provide forecasted retail rates for SO customers.

Commission Data Request 1-12

Request:

Please provide the EXCEL spreadsheets with all formulas intact that correlate to Attachment 2 of the APP. (This response may be provided on CD-ROM).

Response:

Please see Attachment RIPUC Data Request 1-12. Please note that the Company has revised Attachment 2 to provide more clarity and to eliminate any confidential information.

Expected FRS Bid Prices for Narragansett

A) Forward Market Prices at time of Awarding Financial Swap Contract

Example has prices as of : April 6 2009

			Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Wgtd Avg
(A)	Electric Futures Price (\$/MWh)	On-Peak	72.83	72.83	59.63	59.63	54.80	58.58	67.88	67.88	57.70	
		Off-Peak	61.35	61.35	46.95	46.95	43.00	44.00	49.38	49.38	44.75	
(H)	Expected FRS Bid Price (\$/MWh)	Small	89.91	92.08	75.28	76.03	69.91	75.82	83.94	83.47	74.93	80.78
(I)	Estimated Load (MWh)	On-Peak	161,684	161,684	162,695	133,389	121,263	181,558	208,674	218,611	145,011	
		Off-Peak	187,453	155,621	150,400	123,958	142,821	158,821	201,853	193,937	141,474	

B) Forward Market Prices on FRS Award/Swap Settlement Date have Increased by 10% above Award prices

			Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Wgtd Avg
(A)	Electric Futures Price (\$/MWh)	On-Peak	80.11	80.11	65.59	65.59	60.28	64.44	74.67	74.67	63.47	
		Off-Peak	67.49	67.49	51.65	51.65	47.30	48.40	54.32	54.32	49.23	
(H)	Expected FRS Bid Price (\$/MWh)	Small	97.23	99.47	81.17	81.93	75.24	81.51	90.42	89.96	80.56	87.07
(I)	Estimated Load (MWh)	On-Peak	161,684	161,684	162,695	133,389	121,263	181,558	208,674	218,611	145,011	
		Off-Peak	187,453	155,621	150,400	123,958	142,821	158,821	201,853	193,937	141,474	
(J)	Estimated Hedge Settlement (\$s)	95% of Estimated Load Hedged	(2,211,190)	(2,025,667)	(1,592,463)	(1,308,515)	(1,214,720)	(1,674,260)	(2,292,564)	(2,319,509)	(1,396,315)	
(K)	Estimated FRS Costs (\$s)		33,947,787	31,561,842	25,414,684	21,083,773	19,869,348	27,745,634	37,121,007	37,113,774	23,079,622	
(L)	Total Costs		31,736,597	29,536,175	23,822,221	19,775,258	18,654,628	26,071,374	34,828,443	34,794,265	21,683,307	
(M)	Estimated Monthly FRS Cost (\$/MWh)		90.90	93.08	76.09	76.84	70.64	76.60	84.84	84.34	75.69	81.64

C) Forward Market Prices on FRS Award/Settlement Date have Decreased by 10% below Award prices

			Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Wgtd Avg
(A)	Electric Futures Price (\$/MWh)	On-Peak	65.55	65.55	53.67	53.67	49.32	52.72	61.09	61.09	51.93	
		Off-Peak	55.22	55.22	42.26	42.26	38.70	39.60	44.44	44.44	40.28	
(H)	Expected FRS Bid Price (\$/MWh)	Small	82.58	84.69	69.39	70.14	64.59	70.13	77.46	76.98	69.29	74.49
(I)	Estimated Load (MWh)	On-Peak	161,684	161,684	162,695	133,389	121,263	181,558	208,674	218,611	145,011	
		Off-Peak	187,453	155,621	150,400	123,958	142,821	158,821	201,853	193,937	141,474	
(J)	Estimated Hedge Settlement (\$s)	95% of Estimated Load Hedged	2,211,190	2,025,667	1,592,463	1,308,515	1,214,720	1,674,260	2,292,564	2,319,509	1,396,315	
(K)	Estimated FRS Costs (\$s)		28,830,663	26,871,642	21,726,988	18,050,852	17,055,905	23,869,492	31,799,494	31,756,453	19,851,657	
(L)	Total Costs		31,041,852	28,897,309	23,319,451	19,359,366	18,270,625	25,543,752	34,092,058	34,075,962	21,247,972	
(M)	Estimated Monthly FRS Cost (\$/MWh)		88.91	91.07	74.48	75.23	69.18	75.05	83.04	82.60	74.17	79.92

Definitions

Calculation

OnPeak = (A + D + ((C \* 1000 / G) / (F \* 16))) \* H  
 OffPeak = ((A + D) \* (1 - H))  
 Bid Price (I) = (OnPeak + OffPeak) \* B

**Illustrative Example of the Financial Swap**

**Award Financial Swap**

(Mkt prices, previous day COB)

Month	OnPeak Futures (\$/MWh)	OffPeak Futures (\$/MWh)	Estimated Load	
			Capacity (MW)	
			OnPeak	OffPeak
Jan-10	72.83	61.35	161,684	187,453
Feb-10	72.83	61.35	161,684	155,621
Mar-10	59.63	46.95	162,695	150,400
Apr-10	59.63	46.95	133,389	123,958
May-10	54.80	43.00	121,263	142,821
Jun-10	58.58	44.00	181,558	158,821
Jul-10	67.88	49.38	208,674	201,853
Aug-10	67.88	49.38	218,611	193,937
Sep-10	57.70	44.75	145,011	141,474
Average	63.53	49.68	1,494,568	1,456,337

Financial Swap							Contract Value	
Days in Month	OnPeak Days in Month	Capacity (MW)		Energy (MWhs)		Locked in w/Swap \$		
		OnPeak	OffPeak	OnPeak	OffPeak			
		31	20	480	420		153,600	178,080
28	20	480	420	153,600	147,840	20,256,672		
31	23	420	380	154,560	142,880	15,924,629		
30	22	360	320	126,720	117,760	13,085,146		
31	20	360	320	115,200	135,680	12,147,200		
30	22	490	410	172,480	150,880	16,742,598		
31	21	590	470	198,240	191,760	22,925,640		
31	22	590	470	207,680	184,240	23,195,090		
30	21	410	350	137,760	134,400	13,963,152		
Total				1,419,840	1,383,520	160,352,022		
				95%	95%			

**On FRS Bid Award Date**

(Prices as of COB previous day)

Month	OnPeak Futures (\$/MWh)	OffPeak Futures (\$/MWh)	Estimated Load	
			Capacity (MW)	
			OnPeak	OffPeak
Jan-10	80.11	67.49	161,684	187,453
Feb-10	80.11	67.49	161,684	155,621
Mar-10	65.59	51.65	162,695	150,400
Apr-10	65.59	51.65	133,389	123,958
May-10	60.28	47.30	121,263	142,821
Jun-10	64.44	48.40	181,558	158,821
Jul-10	74.67	54.32	208,674	201,853
Aug-10	74.67	54.32	218,611	193,937
Sep-10	63.47	49.23	145,011	141,474
Average	69.88	54.65		

**Settle Financial Swap Contract**

Financial Swap							Sold Contract	
Days in Month	OnPeak Days in Month	Capacity (MW)		Energy (MWhs)		Value \$		
		OnPeak	OffPeak	OnPeak	OffPeak			
		31	20	480	420		153,600	178,080
28	20	480	420	153,600	147,840	22,282,339		
31	23	420	380	154,560	142,880	17,517,092		
30	22	360	320	126,720	117,760	14,393,660		
31	20	360	320	115,200	135,680	13,361,920		
30	22	490	410	172,480	150,880	18,416,858		
31	21	590	470	198,240	191,760	25,218,204		
31	22	590	470	207,680	184,240	25,514,599		
30	21	410	350	137,760	134,400	15,359,467		
Total				1,419,840	1,383,520	176,387,225		

**16,035,202**

Commission Data Request 1-13

Request:

Please provide a list of the assumptions, including the premium factors that were used in developing Attachment 2 of the APP.

Response:

The assumptions used in developing Attachment 2 of the APP are as follows: For energy, market prices as of April 6 2009 for on-peak and off-peak NYMEX electric futures were used. For capacity, the standard zonal pricing was used which is ISO-NE UCAP Transition Prices, with a Load Factor adjustment of 45%. For the ancillary services price, an approximate value (2.00 /MWh) was used, based on historical data for the actual 12 month average for 2008 for ISO-NE Rhode Island zone of \$1.68 /MWh, with a monthly minimum of \$1.02 and a monthly maximum of \$2.55 /MWh. Load shapes were determined from actual residential (class A16) load data for calendar year 2008, which is provided in NG's Narragansett website for FRS bidders. The Premium Factors represent the historical relationship between past FRS contract bid results and the market prices at the time of those bids. In the example, the factors were illustrative for a low and high expected bid.

Commission Data Request 1-14

Request:

Assuming the financial swap is conducted as shown in the calculations on Section A of Attachment 2, what would be the estimated “all-in” cost once load following service is under contract? In other words, take each total in the “Equivalent Locked in Value” and add in expected ancillary and capacity costs to come up with a total for each month and a final total in a new column.

Response:

Please see Attachment RIPUC Data Request 1-12.