<u>NH RPS Compliance Summary – February 25, 2010</u>

Proposal

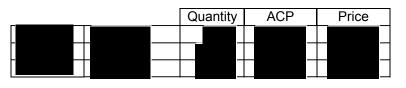
Granite State Electric Company d/b/a National Grid ("Granite State" or "Company") has encountered limited liquidity for 2009 Class III NH RECs through recent RFPs and also through discussions with brokers. As a result, the Company is proposing to purchase Class III RECs through a broker to secure a price below the ACP rate before supply becomes more limited.

Authority

Pursuant to Order No. 24,953 the Commission approved the Amended RPS Settlement Agreement. As stated in the Amended RPS Settlement Agreement, the Company will first attempt to meet the RFP obligation through the Default Service RFP. If not successful, the Company will then issue a REC RFP. The Company is also to review any unsolicited offers to purchase RECs. Finally, if the Company is unable to purchase RECs to satisfy the RPS obligations, then the Company would pay the ACP rate.

Recent RFP History

In 2008, the Company paid the ACP rate to satisfy its Class III RPS obligation. In 2009, the Company issued three REC RFPs: January, May, and October. (National Grid issued only one REC RFP each in MA and RI.) Granite State received Class III bids:





Interaction with other states

Many renewable energy facilities certified to produce RECs in NH are also certified to produce RECs for other states. Therefore, the markets in other states for RECs influence the NH market. For example, if a supplier is certified in NH and MA, the supplier will sell RECs where there are higher market prices. Also, NH Class III has a low ACP rate compared to other states' equivalent classes, which acts as a price cap.

In National Grid's MA REC RFP in August,

A supplier that is certified in both NH and MA would sell in MA because the market prices are higher since their price in NH is capped at the ACP rate. This leads to less NH Class III RECs availability.

Recent Developments in the Market



In addition, National Grid intends to issue a MA REC RFP on February 26, 2010, which will include a large quantity of MA Class I. As explained above, suppliers that have dual certification in both states may decide to sell in MA if market prices in MA are higher.

Other Options

If the Company does not purchase Class III RECs at this time, there are other options.

The Company plans to issue two to three REC RFPs per year per state. The next NH RFP is tentatively scheduled to be issued in May. The 2009 4th Quarter trading period ends on June 15, 2010. If the Company is not able to obtain the necessary 2009 RECs in the May RFP, the options to comply with the RPS requirements are:

- pay the ACP rate
- purchase RECs through a broker before June 15th
- purchase Quarter 1 2010 RECs

The Company has the option to purchase Vintage 2010 Quarter 1 RECs to satisfy up to 30% of its 2009 obligation. The current need of the

2009 NH RPS obligation.

Granite State could also move up the May RFP. 2009 obligations have been met for the other NH REC classes. This RFP would consist of the 2009 Class III obligations and the 2010 obligations.