

The Narragansett Electric Company
Environmental Response Fund Provision

The Environmental Response Fund shall fund the recovery of Environmental Response Costs, as defined below.¹

(A) Definition of Environmental Response Costs

Environmental Response Costs are all the reasonable and prudently incurred costs associated with remedial and clean-up obligations of The Narragansett Electric Company (“Narragansett” or the “Company”), or its predecessor companies, arising out of (i) Narragansett’s or its predecessors’ utility-related ownership and/or operation of manufactured gas plants and sites associated with the operation and disposal activities from such gas plants; and (ii) electric operations other than electricity generation² of Narragansett or its predecessor companies that gave rise to deposits or waste, which are regulated under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), Resource Conservation and Recovery Act (“RCRA”), Rhode Island General Laws Chapter 23-19.14, or any other laws regulations, or orders by courts or governmental authorities, now located on Company property or on property to which the deposits may have migrated, or on any off-site location at which the deposits or waste may have been deposited and to sites to which such material may have migrated. A list of the known locations of manufactured gas waste sites and other sites containing material subject to this section is provided in section (D) below. Narragansett shall have the right to propose additions to the list of sites by including the request to include additional sites at the time that Narragansett files its annual report under subparagraph (C) below, provided that the inclusion of the Environmental Response Costs associated with additional sites to be charged to the fund shall be subject to the approval of the Commission. In addition to actual remedial and clean-up costs, Environmental Response Costs also include costs of acquiring property associated with the clean up of such sites as well as litigation costs, claims, judgments, and settlements associated with such sites. The Company will use best efforts to satisfy its obligation to minimize the Environmental Response Costs charged to the fund consistent with applicable regulatory requirements and sound environmental policies and to minimize litigation costs that may arise. Any applicable insurance proceeds and any net gains (after transaction costs) associated with the sale or lease of land listed in section (D) shall be credited to the fund. To the extent the Company incurs any other extraordinary environmental liability of which it is not aware as of March 14, 2000, the date the fund was established, the Company has the right to request the Commission to allow such costs incurred in connection with such extraordinary events to be included as Environmental Response Costs.

(B) Funding

Interest shall accrue, for the benefit of customers, on any credit balances in the fund at the

¹ The Environmental Response Fund was established in Docket No. 2930 (2000).

² The environmental response costs associated with generation are recovered under Narragansett’s restructuring settlement with New England Power Company, approved by FERC in Docket Nos. ER97-678-000 and 97-680-000.

The Narragansett Electric Company
Environmental Response Fund Provision

customer deposit rate. No interest shall accrue on debit balances. Any cash expenditures shall be charged to the fund as long as the costs that are or have been incurred are Environmental Response Costs, as defined above. The fund shall be credited at the annual amount of \$3,078,000 or \$256,500 per month.

(C) Annual Reports

The Company will file an annual report with the Commission providing a summary and accounting of all costs incurred during such year which have been applied to the fund. Such costs are subject to review to ensure they fall within the definition of Environmental Response Costs, as defined above.

(D) List of Eligible Sites

Washington Street, Bristol

Thames Street, Bristol

Main Street, Warren (Closed)

Canal Street, Westerly

Industrial Drive, Westerly

Tidewater Street, Pawtucket

Exchange Street, Pawtucket

High Street, Central Falls

Hamlet Ave, Woonsocket

Pond Street, Woonsocket

Cumberland (remote disposal location)

Lawn Street, Attleboro, MA

Mendon Road, Attleboro, MA (Closed)

Melrose Street, Providence

The Narragansett Electric Company
Environmental Response Fund Provision

J.M. Mills Landfill Site

Quonset Point Site

Great Lakes Container Corporation Superfund Site, Coventry, Kent County, Rhode
Island

Kyan Street, Lowell, MA (Chandonnet Site)

Admiral Street, Providence

Wakefield No. 17 Substation, South Kingstown

Lakewood No. 57 Substation, Warwick