

National Grid Policies Regarding Taxation and the Rhode Island Renewable Energy Growth Program

The Renewable Energy Growth (RE Growth) program allows customers to enroll or compete for compensation for the generation of renewable distributed generation system products delivered to National Grid. Once operating, RE Growth facility owners will receive payments for products received by National Grid, including energy, environmental attributes, and capacity. Certain customers hosting such units may elect to receive bill credits for a portion of the payments. As a result of these payments and other consideration, National Grid has several responsibilities under current tax laws and regulations of which customers and applicants should be aware.

Federal and State Income Taxes

Payments for Performance Based Incentives and associated bill credits in the RE Growth program will be taxable income for some recipients. As the payer, National Grid is obligated to report this income on Form 1099. To enable the Company to meet its obligation, all applicants/owners and associated customers receiving bill credits for enrolled facilities must provide National Grid with completed Form W-9s subject to the following conditions.

- Small Solar project applicants must provide W-9s at the time of the initial interconnection and RE Growth program application.
- Bill credits provided to non-residential, non-exempt customers will be reported as income. Such customers must provide a W-9 to National Grid.
- Bill credits provided to residential customers **will not** be reported as income because National Grid will not be procuring energy from such systems. Residential customers only receiving bill credits, and not receiving PBI payments as the applicant, do not need to provide a W-9.
- **Small Solar applications that are not accompanied by appropriate W-9s will be rejected.**
- Medium Solar project applicants and all applicants in the competitive procurements for larger solar and other technologies must provide W-9s after selection and before receiving payments.

Those entities that are not exempt from reporting will then receive Forms 1099 from the Company by the end of January of each year. Please consult with a tax professional to determine the taxability of such reported income. National Grid cannot provide tax advice.

Submittal of W-9s and Payment/Credit Transfer Forms

The Applicant should fill out a Payment/Credit Transfer Form, available with other program documents, and appropriate W-9s for each project. Because W-9s and the Payment/Credit Transfer form contain sensitive customer information, National Grid will require them to be submitted as indicated below.

- UNTIL FUTURE NOTICE: Paper copies, with signatures, must be sent to the National Grid representative handling the project's interconnection and enrollment process. The address for mailing of W-9s is provided on the Payment/Bill Credit Transfer Form, which also must be mailed by the Applicant.

- Applications submitted by email to the Small Solar Program will have 10 business days from the time such applications are received by National Grid for the W-9 and Payment/Credit Transfer forms to be received by National Grid by mail. After that time, such applications to the Small Solar Program will be deemed incomplete and applicant will need to reapply and establish a new place in the Small Solar Program queue.
- If changes are made in the owner's or bill credit recipient's legal name or ownership is transferred, those new payment recipients must provide W-9 forms to National Grid when such changes are made. Transfers of recipient names will not be allowed unless the recipients submit W-9 forms.

To protect customer personal information, National Grid holds such information in restricted access areas and data files, per National Grid's Global Information Security Policy.

Sales and Gross Earnings Taxes on the National Grid Bill

Customers who will be receiving bill credits as part of the total compensation provided under the RE Growth program will receive a monthly electric service bill based upon the on-site usage at the service location. Gross earnings tax and sales tax will be applied to the gross amount of the bill, as applicable, according to the customer's retail delivery service rate class.

Bill credits based upon the net generation of the applicant's generation unit will not include gross earnings or sales tax (i.e. the customer will be responsible for paying gross earnings and sales tax assessed on the bill for on-site usage).

All customers, except eligible manufacturing customers, are subject to an assessment of 4% gross earnings tax. Eligible manufacturing customers are those customers who have on file with the Company a valid certificate of exemption from the Rhode Island sales tax (under Rhode Island General Laws section 44-18-30(7)) indicating the customer's status as a manufacturer.

Non-residential customers, except those exempted under the provisions of Rhode Island General Law Section 44-18-30(7) are subject to a 7% sales tax.