National Grid Policies Regarding Reportable Income 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, which may include energy, environmental attributes, and capacity. Certain customers hosting such units either are required or 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. <u>Please consult with a tax professional to determine the taxability of such reported income. National Grid cannot provide tax advice.</u>

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 allows them to be submitted as paper copies, with signatures, to the National Grid representative handling the project's interconnection and enrollment process. Applications may be submitted with scanned W-9s and submitted by email to the Small Solar Program at the risk of the customer, as email is not considered a secure communication channel. 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 an updated PCT form and W-9 forms to National Grid when such changes are made. Projects that do not update and submit W-9s or other paperwork that is needed in a

timely manner will be suspended from being paid under the RE Growth tariff until such records are updated, and will be at risk of forfeiting payment or being terminated under the tariff if such records are not updated after 90 days.

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.

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 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 tax (i.e. the customer will be responsible for paying gross earnings tax assessed on the bill for on-site usage).

All customers, except eligible manufacturing customers, are subject to an assessment of the 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.