



# Conservation Law Foundation

October 24, 2005

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**Re: Proposed Rules and Regulations Governing the Implementation of a Renewable Energy Standard – Comments by Conservation Law Foundation**  
**Docket No. 3659**

Dear Ms. Massaro:

The Conservation Law Foundation (CLF) appreciates this opportunity to submit comments on the proposed Renewable Energy Standard (RES) rules and regulations. CLF works to solve the environmental problems that threaten the people, natural resources and communities of New England. CLF's advocates use law, economics and science to design and implement strategies that conserve natural resources, protect public health, and promote vital communities in our region. Founded in 1966, CLF is a nonprofit, member-supported organization. It has regional advocacy centers in Providence; Boston; Montpelier, Vermont; Concord, New Hampshire; and Rockland, Maine; and maintains an extensive website at [www.clf.org](http://www.clf.org). CLF has long advocated for continued improvement in air quality from the electricity sector. Most recently, CLF has focused on the threat of global warming and the need to deploy large-scale renewable energy sources in order to address this threat. These concerns are implicated by the RES rules and regulations currently under consideration.

CLF Commends the Rhode Island Public Utilities Commission (the Commission) and the collaborative working group for its effort to arrive at draft regulatory language that will implement the state's RES on schedule. We particularly commend the Commission and working group for their efforts to develop a procurement policy that will best serve the consumers of Rhode Island while providing significant environmental benefits by promoting development of new renewable energy generating sources. CLF strongly supports the inclusion of the proposed requirement for long-term contracts for RES procurement, as set forth at Section 8.3 of the proposed rules. Requiring all obligated electric utility distribution companies to enter long-term contracts for renewable energy would provide an element of price stability

62 Summer Street, Boston, Massachusetts 02110-1016 • Phone: 617-350-0990 • Fax: 617-350-4030 • [www.clf.org](http://www.clf.org)

MAINE: 120 Tillson Avenue, Suite 202, Rockland, Maine 04841-3416 • 207-594-8107 • Fax: 207-596-7706

NEW HAMPSHIRE: 27 North Main Street, Concord, New Hampshire 03301-4930 • 603-225-3060 • Fax: 603-225-3059

RHODE ISLAND: 55 Dorrance Street, Providence, Rhode Island 02903 • 401-351-1102 • Fax: 401-351-1130

VERMONT: 15 East State Street, Suite 4, Montpelier, Vermont 05602-3010 • 802-223-5992 • Fax: 802-223-0060

for a long period of time<sup>1</sup> *without* an associated cost premium for this benefit and *without* the likelihood of stranded costs, and would foster Rhode Island's ability to meet its important commitment to the RES.

Renewable energy generating facilities are uniquely situated to provide price and supply stability through long-term contracts without an associated cost premium for these benefits. Because renewable energy generating facilities do not rely on fossil fuels, their forward pricing of energy is largely tied to the amortization of initial capital infrastructure investment. Fossil fuel plants, by contrast, must adjust their pricing to account for future long-term fuel price risk in the form of a premium under any long-term agreement. Moreover, development-stage renewable energy facilities have demonstrated their willingness to offer lower prices in exchange for long-term commitments that they need in order to get critical financing. Consequently, a renewable energy generator can offer a lower price for a long-term commitment, whereas a fossil fuel generator will demand a higher price.

Renewable energy and associated renewable energy certificates purchased through short-term agreements thus are substantially more costly than they would be under a long-term agreement. That distribution companies can avoid unnecessary costs in connection with meeting their RES target percentage requirements in Rhode Island is made apparent by the success achieved by others in reducing such costs through long-term contracts. In Massachusetts, where a Renewable Portfolio Standard was enacted in 1997, default service customers are paying approximately 4-5 cents per kilowatt-hour for renewable energy certificates (RECs) that have been proven to be obtainable under long-term contracts for about half to three-quarters of that cost. For example, through its Massachusetts Green Power Partnership (MGPP), the Massachusetts Technology Collaborative (MTC) has been able to secure REC prices at approximately \$25 per MWh, less than half the cost of Alternative Compliance Payments (ACP) or entering short-term REC purchase agreements. Likewise, the Massachusetts Municipal Wholesale Electric Company (MMWEC) will pay 3.65 cents per kWh under a 22-year agreement for power output from the proposed Berkshire Wind project, as opposed to the roughly 5 cents per kWh market price. Moreover, renewable energy developers such as UPC Wind Management LLC and Enxco, Inc. notably have repeatedly stated publicly that they can and will offer lower prices for longer-term commitments.

By requiring distribution companies to enter long term contracts for renewable energy to meet their RES obligations, the Commission not only would be ensuring more prudent incurrence of RES compliance costs but also would provide significant collateral benefits to the important goal of renewable energy development. As noted by UPC Wind Management in its comments submitted in a recent proceeding before the Massachusetts Department of Telecommunications and Energy, in a sentiment echoed by many others, "The inability to secure long-term (12-15 year) financeable power and REC contracts poses the single largest challenge in realizing [wind energy projects actively under development]." Requiring long-term contracts for renewable energy, as Section 8.3 of the proposed rules sets forth, would be a significant step toward ensuring that important renewable energy projects can secure financing that is critical to their development.

The principal argument articulated against the proposed requirement for long-term contracts – namely, that such a requirement will somehow give rise to stranded costs – is unfounded. There is no reason why

---

<sup>1</sup> In accordance with sound risk management practices and the recommendations of the National Commission on Energy Policy (NCEP), medium and long-term components of procurement are expected to reduce price and supply volatility that consumers otherwise face. See National Commission on Energy Policy, Ending the Energy Stalemate: a Bipartisan Strategy to Meet America's Energy Challenges, at 90-96 (Dec. 2004), available at [http://64.70.252.93/newfiles/Final\\_Report/index.pdf](http://64.70.252.93/newfiles/Final_Report/index.pdf).

RECs procured through prudent long-term contracts in order to meet RES obligations should not be able to be re-sold later in time, especially in connection with any actual migration of customers that reduces a distribution company's RES compliance obligations. Under such circumstances, in the unlikely event that the distribution company should be unable to sell its excess RECs purchased through a long-term agreement, it should be entitled to recover its costs so long as they were prudently incurred.

In view of the foregoing, we strongly encourage the Commission to adopt the proposed requirement for long term contracts for RES compliance. Thank you for the opportunity to provide these comments.

Sincerely,

Susan Reid  
Cynthia Giles