

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC           :  
COMPANY, d/b/a NATIONAL GRID            :  
RENEWABLE ENERGY STANDARD            :

DOCKET NO. 3765

**REPORT AND ORDER**

**I. Introduction**

On June 29, 2004, the General Assembly, with the Governor's signature, enacted a Renewable Energy Standard (RES) for the State of Rhode Island. The legislation, codified as R.I. Gen. Laws § 39-26-1 et seq., sets forth the parameters of such a standard designed to diversify energy sources, reduce carbon dioxide, and encourage the development of renewable energy resources. Under the RES legislation, beginning in compliance year 2007, Obligated Entities, defined as those persons or entities selling electrical energy to end-users in Rhode Island, shall obtain escalating percentages "of the electricity they sell at retail to Rhode Island end-use customers, adjusted for electric line losses, from eligible renewable energy resources."

R.I. Gen. Laws § 39-26-6(a) required the Public Utilities Commission ("Commission") to "[d]evelop and adopt regulations on or before December 31, 2005 for implementing a renewable energy standard..." within certain parameters. This was completed on December 8, 2005. In accordance with Section 8.2 of the Commission's Rules and Regulations Governing the Implementation of a Renewable Energy Standard, on November 3, 2007, Narragansett Electric Company, d/b/a National Grid (NGrid) filed with the Commission its RES Procurement Plan for the period commencing January 1, 2007.

In addition to procuring renewable energy supply, R.I. Gen Laws § 39-26-6(b) requires the Commission to “authorize rate recovery by electric utility distribution companies of all prudent incremental costs arising from the implementation of...” the RES. Accordingly, on August 31, 2006, NGrid filed its proposed RES Charge for usage on and after January 1, 2007.

## **II. Travel – Renewable Energy Charge**

### **A. Testimony of John D. Warshaw**

On August 31, 2006, National Grid (NGrid) filed the testimony of John D. Warshaw, Principal Analyst in Energy Supply, in support of its request to implement a RES Charge. In his testimony, he explained that the Legislature enacted the Renewable Energy Standard in 2004 and pursuant to that statute, beginning in January 2007, NGrid is required to obtain 3% of its energy supply from renewable resources. The charge, to be included on all Last Resort Service and Standard Offer Service deliveries, would be effective January 1, 2007, which is the same date the RES obligation would begin. The RES Charge would be fully reconcilable to actual costs.

Mr. Warshaw stated that NGrid would satisfy its RES obligation by purchasing the attributes of RES generation. These attributes are available as Renewable Energy Certificates (RECs). NGrid can also satisfy its obligation by making Alternative Compliance Payments (ACP) to the Rhode Island Renewable Energy Development Fund.<sup>1</sup>

As justification for the need for an RES Charge on Standard Offer Service (SOS) deliveries, Mr. Warshaw explained that the SOS contracts were signed prior to the RES and did not include provisions for the RES obligation and therefore, SOS suppliers are

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<sup>1</sup> NGrid Exhibit 1 (Prefiled Testimony of John D. Warshaw), p. 3.

not obligated to provide power that complies with the RES. He further stated that an RES charge is needed for Last Resort Service (LRS) because LRS had not yet been procured under the new RES requirements.<sup>2</sup>

In 2007, 3 percent of NGrid's LRS and SOS loads must come from renewable resources of which 2 percent can be satisfied from existing renewable resources and 1 percent must come from new renewable resources.<sup>3</sup> To develop the RES charge for existing renewable resources, NGrid proposed using a market price of \$0.50 per REC as Existing Renewable Energy Resources in Rhode Island are similar to Connecticut Class II Renewable Energy Sources. The current value of CT Class II RECs is between \$0.50 to \$0.80. NGrid chose to use the lower value to develop the charge for Rhode Island.<sup>4</sup> Based on their experience in Massachusetts, NGrid believed that the market price of RECs from New Renewable Resources would be close to the ACP. As such, NGrid chose to use the ACP in developing the RES charge for New Renewable Resources. By using changes in the Consumer Price Index, the company calculated the 2007 ACP to be \$57.14.<sup>5</sup>

The charge that will appear on customers' bills will be 0.062¢ per kWh. NGrid will reconcile its costs to comply with the RES with RES revenue received from customers. The reconciliation will be included as part of the annual SOS Reconciliation or the LRS Reconciliation.<sup>6</sup>

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<sup>2</sup> Id.

<sup>3</sup> Id. at 5

<sup>4</sup> Id. at 7-8, Schedule JDW-2

<sup>5</sup> Id. at 7

<sup>6</sup> Id.

**B. Division Letter**

On September 27, 2006, the Division of Public Utilities and Carriers (Division) filed a Memorandum of David R. Stearns, Division Rate Analyst, and Stephen Scialabba, Division Chief Accountant, in response to NGrid's August 31, 2006 filing. In it, the Division made two recommendations. The first that NGrid should prepare a separate reconciliation for the RES charges and expenses. They argued that revenues, expenses and any resulting over or under collection and interest associated with RES should be presented separately in both the Standard Offer and Last Resort filings. This treatment would make it easier to track RES transactions and easier to determine the appropriateness of any Commission approved RES charge.

The second recommendation dealt with bill presentation. The Division stated that the RES charge should be listed as a separate charge on customers' bills and that the bill should also contain a footnote explaining the RES. This, they claimed, would provide customers with increased information and clarity regarding the monthly bill.<sup>7</sup>

**C. NGrid Response to Division Letter**

On October 4, 2006, NGrid responded to the two recommendations put forth by the Division in its September 27, 2006 letter. The Company stated that they had no objection to separately reconciling RES revenue and cost associated with purchasing renewable energy certificates and making alternative compliance payments in both the SOS and LRS reconciliations. With regard to bill presentation, the company stated that while they had initially planned to include the RES charge with the SOS charge and LRS charge on customer bills, they would have no objection to presenting the charge as a separate line item.

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<sup>7</sup> Division Exhibit 1 (Memo from David R. Stearns and Stephen Scialabba), pp. 1-2.

**D. Hearing**

Following public notice, a public hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on October 6, 2006 for the purposes of hearing evidence regarding the implementation of a renewable energy standard charge.

The following appearances were entered:

FOR NATIONAL GRID:	Laura S. Olton, Esq.
FOR THE DIVISION:	William Lueker, Esq. Special Assistant Attorney General
FOR THE COMMISSION:	Steven Frias, Esq. Executive Counsel

Following public comment, NGrid presented Jeanne A. Lloyd, Manager of Distribution Rates, New England and John D. Warshaw in support of the Company's filings. Mr. Warshaw summarized his filing, noting that the Company is required to procure 3 percent of its energy from renewable resources beginning in January 2007. He noted that NGrid plans to file its plan for procuring such energy for Commission review in November 2006. Because Commission review of the plan is not expected to be completed before January 2007, NGrid proposed an RES charge as a proxy for the actual costs until such time as NGrid has contracted for the renewable supply. The charge will then be reconciled to the actual costs when NGrid files its annual reconciliation of energy-related charges.<sup>8</sup>

Ms. Lloyd testified regarding a letter filed on October 6, 2006, in response to the Division's recommendations set forth in its September 27, 2006 Memorandum. In response to the suggestion that the Company separately identify revenues and expenses associated with the RES charge apart from the Standard Offer Service and Last Resort

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<sup>8</sup> Tr. 10/6/06, pp. 12-13.

Service reconciliations, Ms. Lloyd stated that the Company has no objection to the proposed methodology.<sup>9</sup> Ms. Lloyd testified that the Company has the ability to list the RES charge separately on the bill.<sup>10</sup>

During cross examination by the Division, Mr. Warshaw clarified that the cost for RECs from existing resources was estimated to be \$0.50 per MWH, while ACPs were estimated to be \$57.14 per MWH, or about 100 times the cost for existing resources.<sup>11</sup> NGrid's proposal was to acquire 2 percent from existing resources and to pay the ACP for the remaining 1 percent requirement.<sup>12</sup> Mr. Warshaw agreed that the cost of RECs for existing resources could increase significantly if the supply was not sufficient, but the Company believed there would be adequate supply of RECs from existing resources to meet the 2 percent requirement and felt they had chosen an appropriate number using Connecticut Class II RECs as a proxy.<sup>13</sup>

During cross examination by the Commission, Mr. Warshaw conceded that it is not the norm for a company to file for a rate without a procurement plan, but that the Company had other priorities in 2006.<sup>14</sup> However, he maintained that it would not be detrimental to customers to have a plan approved after approval of the rate because the Company can procure RECs through mid 2008 in the New England marketplace to satisfy the 2007 obligation.<sup>15</sup> Further, he testified that in future years, the Company will have the procurement plan filed before it files for an associated rate change.<sup>16</sup>

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<sup>9</sup> Id. at 14-15.

<sup>10</sup> Id. at 15.

<sup>11</sup> Id. at 16-18.

<sup>12</sup> Id. at 16.

<sup>13</sup> Id. at 18-22.

<sup>14</sup> Id. at 35-39.

<sup>15</sup> Id. at 43, 51.

<sup>16</sup> Id. at 36.

Mr. Warshaw testified that he was surprised, but not concerned that as of October 6, 2006, the Commission had received only one application from renewable generators for Commission certification.<sup>17</sup> Mr. Warshaw indicated that the Company would seek new renewables before paying the ACP.<sup>18</sup> Ms. Lloyd testified that the impact of the proposed rate on the bill of a typical residential customer using 500 kWh per month would be approximately \$0.32 per month, including the gross earnings tax. On the entire kWh sales of the Company, or approximately 7 billion kWh, the revenues would be a little more than \$4 million.<sup>19</sup> Ms. Lloyd conceded that, for the sake of argument, if no renewable generators were certified by the close of trading for 2007, and 100% of the obligation needed to be met through ACPs, the impact on a typical residential customer would be approximately \$0.90 per month and approximately \$12 million for the State of Rhode Island's fund.<sup>20</sup> Mr. Warshaw believed that would be an unlikely event, opining that the Rhode Island experience will most likely mirror some of the Massachusetts experience.<sup>21</sup> In addressing his analysis in developing the proposed rate, based on a proxy cost from Connecticut, he further indicated that even if his analysis had been conducted using a foreseeable higher cost for RECs from existing resources the rate would not have changed significantly.<sup>22</sup>

Mr. Warshaw summarized the theory behind the RES charge as the idea that if there are insufficient RECs available to meet the statutory requirement, infusing money into the market will provide incentive and means for more to be built. He explained that

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<sup>17</sup> Id. at 51-52. By March 6, 2007, the date of the hearing on the procurement plan, 10 generation units had been certified by the Commission and eight more had filed for approval. Source: [http://www.ripuc.org/utilityinfo/RES-Applications-Status\(9-13-07\).pdf](http://www.ripuc.org/utilityinfo/RES-Applications-Status(9-13-07).pdf)

<sup>18</sup> Id. at 53.

<sup>19</sup> Id. at 54.

<sup>20</sup> Id. at 55.

<sup>21</sup> Id. at 42-44.

<sup>22</sup> Id. at 55.

the requirement is actually designed so that demand for RECs has to keep growing, thus, the theory is, the supply will keep growing to meet the demand as the money is invested in the market.<sup>23</sup> Finally, he clarified that the money paid for ACPs will be held in trust by the Economic Development Corporation for investment in renewable energy resources.<sup>24</sup>

#### **E. December 7, 2006 Open Meeting**

On December 7, 2006 after public notice, the Commission convened an open meeting to render a decision on NGrid's proposed RES charge for calendar year 2007. After considering the evidence presented, the Commission adopted an RES charge of \$0.00062 per kWh on an interim basis pending a review of NGrid's RES Procurement Plan. The interim charge was made effective on usage on and after January 1, 2007. The Company shall show the RES charge as a separate line item on customer bills and explain by footnote on the bill that the RES charge is mandated by State law. NGrid shall also calculate the RES reconciliation separately in the SOS and LRS reconciliations.

### **III. Travel - Procurement Plan**

#### **A. National Grid's Proposed Plan**

On November 3, 2006, NGrid filed the direct testimony of Michael J. Hager, Vice President, Energy Supply. In his testimony, Mr. Hager outlined the proposed RES procurement plan. He explained that the company initially planned to limit REC purchases to cover the period 2007 through 2009. He pointed out that according to recent legislation, NGrid is required to file with the Commission a proposed supply procurement plan by March 1, 2009 to address its future standard offer supply requirements. The

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<sup>23</sup> Id. at 60-64.

<sup>24</sup> Id. at 68.



company intends to include its plans to meet the RES requirement as part of the supply procurement plan.<sup>25</sup>

To project its SOS RES obligation, the company developed three cases based on various assumptions to come up with a range of RES obligations for the 2007 through 2009 period. The base case assumes that the SOS requirement increases at the historical rate for 2000-2006 of 0.25% per year for the period 2007-2009. Case 1 assumes a 2.4% annual increase and Case 2 assumes a 4.8% annual decrease. NGrid proposed to use the base case for projecting its RES obligation. Mr. Hager pointed out that using historical data to project future SOS load is not without some risk as SOS load could change significantly as a result of energy market changes, changes in weather, and competitive supply opportunities as the SOS contracts approach expiration in 2009. He also pointed out, however, that any variance from the base case can be accounted for in future procurements.<sup>26</sup> With regard to LRS, he stated that since 2000, the company's LRS load has been very volatile. As such, NGrid proposed to link its purchase of RECs with its purchase of Last Resort load rather than purchasing a specified quantity of RECs.<sup>27</sup>

As far as the schedule of procurements, NGrid proposed stand alone solicitations twice per year to satisfy its Standard Offer RES obligation. To satisfy the LRS RES obligation, the RECs will be procured through the LRS procurement process. The company proposed to conduct the first stand alone solicitation within 30 days of the approval of the procurement plan. In future procurements, NGrid will request bidders to

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<sup>25</sup> National Grid Exhibit 3 (Prefiled Testimony of Michael J. Hager) pp. 5

<sup>26</sup> *Id.* pp. 6-7

<sup>27</sup> *Id.* at 7-8.

provide separate pricing to provide the RES obligation in addition to the price to provide the LRS requirements.<sup>28</sup>

Mr. Hager provided a list of criteria that it will use in the evaluation of proposals. Those criteria are the: (1) the lowest evaluated bid price; (2) quantity of RECs offered; (3) type of purchase offered (firm delivery, unit contingent); (4) ability of supplier to meet its obligation to deliver RECs; (5) ability of provider to provide security; (6) firmness of delivery; (7) supplier's past experience in providing similar services to National Grid; (8) supplier's past experience in providing similar services to other companies in New England; (9) supplier's past experience in providing similar services to other companies in other regions; (10) supplier's demonstrated understanding of its obligation under the proposed purchase agreement (11) whether there have been any past or any present events that are known that may adversely affect the supplier's ability to provide RECs; and (12) all other criteria being equal, whether the project will be located in Rhode Island.<sup>29</sup>

The various risks identified by Mr. Hager in regard to NGrid meeting its RES obligation are that: (1) load either increases or decreases significantly from the expected; (2) the supplier fails to deliver the quantity of RECs contracted for; (3) the resource does not perform as expected thus providing fewer RECs than expected; and (4) insufficient offers are made to meet RES obligation.<sup>30</sup>

If NGrid's load is less than what it projected when acquiring RECs and NGrid acquires more RECs than necessary, the Company can use the REC banking option as it is outlined in the RES rules. Any excess RECs could be used to satisfy obligations in

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<sup>28</sup> Id. at 10.

<sup>29</sup> Id. at 10-11.

<sup>30</sup> Id. at 11-12.

future years. If NGrid's load is larger than what it projected when acquiring RECs, NGrid can revise the number of RECs to be acquired in future procurements, conduct additional solicitations or make ACPs. The Company will use all available contractual rights it has to compel the supplier to provide the contracted for RECs, and the Company will rely on contract security to offset any costs associated with a supplier's failure to perform.<sup>31</sup>

As part of the LRS procurement, NGrid will request that bidders provide two price components with its bid. The first component will be LRS excluding the cost of the RES obligation. The second will be for the cost of the RES obligation. This process is used by NGrid in Massachusetts for procurement of Default Service. For each bidder, the price of the two components will be added together and the bid with the lowest overall cost will be selected. Any difference between revenue received from customers and actual RES costs would be fully reconcilable as part of the LRS reconciliation.<sup>32</sup>

NGrid would seek to meet its SOS RES obligations and any remaining LRS RES obligations through stand alone solicitations twice per year. The Company would purchase both firm and unit contingent RECs. The RECs will be procured over time through a dollar cost averaging process.<sup>33</sup> In the initial stand alone procurement, NGrid will purchase up to 50% of the projected 2007 SOS RES obligation, up to 25% of the projected 2008 SOS RES obligation, up to 16% of projected 2009 SOS RES obligation and the projected LRS RES for the period January 2007 – April 2007.<sup>34</sup>

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<sup>31</sup> Id. at 14-15.

<sup>32</sup> Id. at 15.

<sup>33</sup> Id. at 19-20.

<sup>34</sup> Id. at 21.

After compiling the bid stack, NGrid will share the information with the Division and identify bids the company intends to accept. This will allow the Division to review the anticipated winning bids. Once Division review is completed, the contracts will be executed subject to the company filing the results with the Commission and a five day waiting period from the date of the filing. This will provide the Commission an opportunity to review the contracts before they become effective.<sup>35</sup>

The company will require all suppliers of both firm and unit contingent purchases to provide monthly production reports of actual performance. All suppliers will also be required to provide some form of security. Acceptable security could be: (1) an unsecured line of credit from a rated counterparty; (2) Parental Guaranty; (3) Letter of Credit; (4) a cash deposit provided to NGrid; and (5) any other form of security that is agreed to by NGrid and the supplier<sup>36</sup>

## **B. Division**

On January 17, 2007, the Division filed the Direct Testimony of Timothy Woolf, a consultant, wherein he voiced his concern that NGrid's procurement plan did not consider obtaining RECs for the period 2010 and beyond. He stated that the company should at least solicit and consider REC proposals for the period 2010 and beyond since they might find that some of the proposals could help reduce the cost of complying with the RES. He opined that a renewable developer or REC broker might be willing to enter into long term contracts for the period 2007 and beyond which are lower than the prices that are offered for the years 2007, 2008 and 2009 in isolation. He also felt that entering

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<sup>35</sup> *Id.* at 23-24.

<sup>36</sup> *Id.* at 27-28. Firm purchases are those where the bidder commits to provide a specified amount of RECs without relying on the performance of any specific source. Unit contingent purchases are those where the bidder commits to providing a specified amount of RECs only if a specific generating unit(s) operates and produces such RECs.

into long term contracts now could be more cost effective than contracts entered into later. As renewable energy standards in Rhode Island and other states increase with time, the cost of RECs could increase as demand increases. Locking into lower prices now could mitigate potential future price increases. He advocated for a balanced portfolio of short, medium and long term contracts that would include the years beyond 2009.<sup>37</sup>

He further stated that there would be no harm to the Company or ratepayers by soliciting, evaluating and considering longer term REC proposals. Once the proposals are received, NGrid will be in a better position to assess the costs, benefits and risks associated with various portfolios. In providing an explanation of what constitutes a long term contract, Mr. Woolf stated that the company should consider contracts that have a term of at least 10 years. In response to the company argument that there is uncertainty of the size of the Standard Offer load after 2009, Mr. Woolf states despite the uncertainty, it is not appropriate to simply ignore the obligation to procure RECs after 2009.<sup>38</sup>

Mr. Woolf also argued that the company should solicit proposals for bundled energy for the period after 2009. He cited the following advantages of a bundled procurement: Some renewable developers may prefer to sell both RECs and energy bundled together and therefore offer a lower price. Purchasing renewable bundled energy could provide a hedge against volatile fossil fuel prices. While he acknowledged that there could be some risk with purchasing bundled energy, he stated that purchasing energy always contains potential risks. By seeking proposals for bundled energy for the

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<sup>37</sup> Division Exhibit 2 (Direct Testimony of Timothy Woolf), pp. 2-3.

<sup>38</sup> *Id.* at 5-8.

period after 2009, the company would simply be acquiring more information to evaluate.<sup>39</sup>

Mr. Woolf recommended that the Commission reject the company's procurement plan as submitted. He also recommended that the Commission order NGrid to modify its proposed Request for Proposals (RFP) to clearly indicate: (1) that the Company will evaluate and seriously consider the purchase of RECs for the period after 2009; (2) that the company attempt to procure an appropriate mix of short, medium and long term REC contracts; and (3) that the Company evaluate and seriously consider the purchase of bundled energy for the period after 2009.<sup>40</sup>

### **C. Bluewater Direct**

On January 17, 2007, Erich Stephens submitted direct testimony on behalf of Bluewater Wind, LLC. In the testimony, he stated that an important factor in financing renewable projects is long term contracts. For off-shore projects, he stated that contracts in the range of 15 or 20 years are necessary. Regarding the benefits of long term renewables contracts, he stated that contract with a wind producer for example could protect customers from rising fuel costs. He also opined that investments in long term renewables would tend to reduce the need for future construction in the region of gas and oil fired power plants.<sup>41</sup>

He characterized the proposed procurement plan as a "living document" that will be revised annually as the renewables market develops. He stated in his conclusion that he supported the proposed plan as an interim plan. He went on to state that they do not want substantial changes in the first year of the plan, but would like to be involved in

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<sup>39</sup> *Id.* at 9-11.

<sup>40</sup> *Id.* at 11.

<sup>41</sup> Bluewater Wind Exhibit 1 (Pre-Filed Testimony of Erich Stephens), pp. 6-7.

shaping the plan for subsequent years.<sup>42</sup> He also advocated for a collaboration between the distribution company, Economic Development Corporation and the State Energy Office that would have as a goal entering into long term contracts. He suggested the formation of a working group of interested parties to develop a plan for later years.<sup>43</sup>

#### **D. Capewind Direct**

On January 18, 2007, Mr. Dennis Duffy submitted Direct Testimony on behalf of Cape Wind Associates, LLC. In it, he faulted the proposed procurement plan for not providing for long term contracts. He acknowledged that he believed that there was no need to require long term contracts in the initial procurement period of 2006 to 2009, but stated that long term contracts are necessary for the period 2010 and beyond.<sup>44</sup>

He also stated that the Commission should order the formation of a working group of stakeholders that could potentially include the Division, the Attorney General and the Economic Development Corporation. As far as procuring long term contracts he said that it might be wise to consider the use of a centralized procurement agency, such as the Economic Development Corporation or a state power authority.<sup>45</sup>

Mr. Duffy proposed evaluation criteria for bids that would include the legislative objectives of the RES statute, including long-term stability and placing a higher relative value upon whether a project would create jobs within Rhode Island.<sup>46</sup> Finally, he expressed concern with the security provisions proposed by the Company, arguing that

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<sup>42</sup> Bluewater Wind, LLC. Exhibit 1 (Pre-Filed Testimony of Erich Stephens), pp. 6-8.

<sup>43</sup> *Id.* at 9-13.

<sup>44</sup> Cape Wind Exhibit 1 (Pre-Filed Testimony of Dennis Duffy), pp. 2-3.

<sup>45</sup> *Id.* at 3.

<sup>46</sup> *Id.* at 4.

that it would be overly onerous for the objective of providing incentive for development in a newly forming industry.<sup>47</sup>

**E. Ridgewood Direct**

On January 19, 2007, Ridgewood Power Management, LLC. submitted the direct testimony of William P. Short, III, vice president for power marketing. Mr. Short expressed concern that if NGrid's procurement plan is the only means to procure RECs, then he was certain shortfalls in RECs from New Renewable Facilities would occur. He also expressed concern that while NGrid's plan may produce a reasonable supply of new RECs, they would not be at the lowest price.<sup>48</sup>

Mr. Short's primary concern with the proposed plan in the area of new RECs is that undercapitalized entities will be awarded contracts and ultimately default on their obligation to supply new RECs. Based upon Ridgewood's experience with RES programs in California and Nevada, he stated that it is not uncommon for entities to offer low bids on RES contracts in hopes of winning a long term contract. The entity hopes to use that long term contract to secure financing. When they are unable to obtain financing, they default on their contract obligations.<sup>49</sup>

With regard to existing RECs, he argued that there are several million existing RECs in the market and that NGrid's need is only for 170,000 existing RECs. Consequently, there should be enough existing RECs available to satisfy NGrid's requirement many times over. Therefore, there is no need to enter into long term contracts for the procurement of existing RECs.<sup>50</sup>

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<sup>47</sup> *Id.* at 5.

<sup>48</sup> Ridgewood Exhibit 1 (Pre-Filed Testimony of William P. Short), pp. 4-5.

<sup>49</sup> *Id.* at 5-6.

<sup>50</sup> *Id.* at 5-7.



He took issue with the argument that long term contracts are needed for the financing for development and construction of renewable energy projects. He claimed that in 2003, Ridgewood raised money to build the Johnston Landfill Extension, an 8.4 MW landfill gas power plant without having any long term contracts in place.<sup>51</sup>

He echoed NGrid in saying that NGrid and other load serving entities should not be required to sign any contracts for REC deliveries after December 31, 2009. He stated that with the expiration of [SOS] in 2009, load will begin to move very rapidly from NGrid to other load serving entities. He predicted that by 2011, NGrid will have no more than 60% of its current load and that by 2020, NGrid will serve only 20% of Rhode Island's load.<sup>52</sup>

As an alternative to the proposed plan, Mr. Short suggested that NGrid and other load serving entities procure RECs to satisfy their requirements within 60 days after the close of the month in which the load was served.<sup>53</sup>

#### **F. NGrid's Rebuttal**

On February 6, 2007, NGrid submitted the Rebuttal Testimony of Ronald T. Gerwatowski, Vice President of Distribution Regulatory Services and Michael J. Hager, Vice President, Energy Supply – New England for National Grid USA Service Company. In discussing long term contracts, Mr. Gerwatowski indicated that the Company believes that during the current SOS period, the Commission's RES Regulations do not require NGrid to enter into contracts for the period beyond 2009.<sup>54</sup> However, Mr. Gerwatowski recognized that subsequent to the passage of the Commission's RES Regulations, the

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<sup>51</sup> *Id.* at 7.

<sup>52</sup> *Id.* at 8.

<sup>53</sup> *Id.* at 9.

<sup>54</sup> NGrid Exhibit 5 (Rebuttal Testimony of Ronald T. Gerwatowski), p. 7.

General Assembly passed the Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006, which contains provisions to create another SOS period commencing in 2010 and which requires NGrid to file a supply procurement plan for that period by March 2009 which also complies with some “least cost procurement” requirements.<sup>55</sup> Because of these changes, which may also affect the procurement of renewable supply, Mr. Gerwatowski cautioned the Commission against requiring NGrid to procure renewables for a period beyond 2009 at this time.<sup>56</sup>

In addition to this rationale, Mr. Gerwatowski expressed concern with the ability of the Company to make rational determinations of the reasonableness of any long term offers because of the lack of reliable, objective information regarding long term price forecasts. He maintained that such a review would be speculation and could not meet goals associated with a dollar-cost averaging plan such as that which was proposed by NGrid and further, would not meet the standard of prudence which could be applied to the procurement of renewables under R.I.G.L. § 39-26-[6](b).<sup>57</sup>

Addressing the types of projects NGrid believed would be appropriate for consideration of long-term bids, Mr. Gerwatowski argued that the RFP should require the project be either fully permitted or very close to being fully permitted. He indicated that this is necessary to provide some assurance that the project will be completed and the terms of the contract fulfilled. He pointed out that if this requirement were not enforced, there would be a high likelihood of failure, something which would not be in the best interest of ratepayers.<sup>58</sup> He stated that a security provision in the contracts would

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<sup>55</sup> *Id.* at 8.

<sup>56</sup> *Id.* at 9.

<sup>57</sup> *Id.* at 10-11.

<sup>58</sup> *Id.* at 14.

eliminate or reduce speculative bidding, but such provisions are opposed by developers of renewable energy as being overly burdensome. Mr. Gerwatowski stated, “either the process is designed to encourage developers without investment grade ratings to submit bids, with no reasonable assurance that the project will come to fruition, or it is designed to ‘lock in’ a dollar-cost average rate for the future.”<sup>59</sup>

Finally, Mr. Gerwatowski pointed to the concern that if prices for long term contracts were to end up higher than market price and customers began to migrate off of SOS, there would be fewer customers left to pay the above-market prices which would lead to a cycle of more migration and fewer customers to pay those costs. He also pointed out that in such a situation, there would be political pressure on the legislature to address the problem. This legislative uncertainty is what causes some banks and investors to be reluctant to invest in a project before there is a supply contract available.<sup>60</sup>

In order to address these concerns, Mr. Gerwatowski reiterated his position that any procurement of long term contracts for renewable supply should be coordinated with the procurement of SOS for the period commencing 2010. In addition, Mr. Gerwatowski pointed out that the EDC, as the entity charged with encouraging investment in renewables through the application of the ACPs, would be in a better position to evaluate projects and “choose projects based on criteria that is not checked by the goal of obtaining the lowest price.”<sup>61</sup> He maintained that “when obtaining the lowest cost is removed from the equation, the ability to actually get significant, viable projects financed is increased substantially.”<sup>62</sup>

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<sup>59</sup> *Id.* at 15-16.

<sup>60</sup> *Id.* at 17-24.

<sup>61</sup> *Id.* at 28.

<sup>62</sup> *Id.* at 29.

He explained that EDC could utilize the funds from the ACPs and enter into “back to back” agreements with the Company to fund the project financing. Back to back agreements are where there is an obligation on the part of an agency, such as EDC, to pay a certain amount per kWh to a supplier. The company would then have an agreement with the agency to make payments to the supplier in an amount which would be the difference between the amount being paid through the ACPs to the supplier and the fixed price under the contract originally entered into by EDC. The effect would be lower payments by the utility for the RECs than if the company had originally entered into the long term contract with the supplier.<sup>63</sup>

Mr. Gerwatowski concluded his testimony by stating that the Company would agree to Mr. Duffy’s suggestion to form a working group to work out the parameters for achieving the goals of renewables development through various means, including the utilization of a state agency model as the contracting entity for long term agreements to facilitate the financing of renewables projects.<sup>64</sup>

Mr. Hager began his testimony by providing some definitions of what constitutes short, medium, and long term contracts. He explained that based on the current wholesale electric market practices, he would define short term contracts as less than one year in duration, medium term contracts as between one and three years and long term as three years or greater in duration.<sup>65</sup> He maintained that “despite the availability of multiple valuation models, reliably forecasting what the actual price of wholesale power is likely to be five years from now is very difficult” and when it comes to forecasting the

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<sup>63</sup> Id. at 29-30.

<sup>64</sup> Id. at 35.

<sup>65</sup> Id. at 1.

renewable certificate market, there are even more difficulties because of the existence of additional factors, many of which are subjective.<sup>66</sup>

Mr. Hager also reiterated the comments made by Mr. Gerwatowski that, as a practical matter, because the Company is required to file a comprehensive power supply procurement plan for SOS for the period commencing January 1, 2010, it would not be appropriate for NGrid to enter into contracts for renewable energy and/or RECs that would cover a portion of that supply procurement period. In his words, “it would make much more sense for the Company to be able to propose a coherent comprehensive plan at that time that does not carry with it a legacy of other contracts that may or may not be consistent with other aspects of the plan.”<sup>67</sup>

With regard to the availability of RECs for the period 2007-2009, Mr. Hager stated that there were eight projects that had either filed for or obtained certification in Rhode Island as new renewable generation and eleven that had filed for or obtained certification as existing renewable generation. The new renewable generation totaled more than 42 MW and the existing totaled more than 47 MW. Mr. Hager’s projections indicated the Company would need approximately 25-35 MW to meet its requirements for the 2007-2009 timeframe.<sup>68</sup>

With regard to evaluating bids from renewable suppliers, Mr. Hager agreed that there could be a weighting analysis to advantage projects that would bring benefits to Rhode Island, as set forth in the statute. However, he expressed concern that the criteria could become very subjective and indicated that there would have to be a determination

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<sup>66</sup> NGrid Exhibit 4 (Rebuttal Testimony of Michael J. Hager), pp. 3-4.

<sup>67</sup> *Id.* at 2, 7.

<sup>68</sup> *Id.* at 9.

of how much more money the Company should pay for RECs that provide economic benefits to Rhode Island than for those that do not.<sup>69</sup>

Finally, Mr. Hager argued that there will be a need for some type of security in the contracts for RECs because, he stated, “when we sign a contract for renewable certificates at an agreed upon price, it is with the expectation that we will obtain the certificates for customers. We want to preserve the value of this commitment in the event of default.” However, he also stated that the Company would be willing to negotiate the terms of security, but only upon concrete proposals made to the Company.<sup>70</sup>

### **G. Division’s Surrebuttal**

On February 20, 2007, the Division submitted the Surrebuttal Testimony of Mr. Woolf wherein he supported the idea of a state agency model for procuring renewable energy and renewable energy credits. He stated that a state agency can apply a broader, longer-term societal perspective on the purchase of renewable power and RECs. He also voiced support for creating a working group of stakeholders to explore the issue.<sup>71</sup>

He took issue with Company witnesses Hager and Gerwatowski, arguing that long term contracts are not advisable because there is too much uncertainty in the market. In support of long term contracts Mr. Woolf states that while uncertainty may exist, the cost of long term contracts could be higher or lower than the cost of short term contracts or spot market purchases.<sup>72</sup>

Mr. Woolf suggested that creating a diversified portfolio of spot market purchases, short, medium and long term contracts would help to mitigate the risks of

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<sup>69</sup> *Id.* at 10.

<sup>70</sup> *Id.* at 11-12.

<sup>71</sup> Division Exhibit 3. (Surrebuttal Testimony of Timothy Woolf). Pp. 1

<sup>72</sup> *Id.* at 2.

uncertainty in the market. He also recommended using dollar cost averaging in which the company would purchase small portions of its RES requirements through long term contracts at regular intervals.<sup>73</sup>

#### **H. Bluewater Surrebuttal**

In Surrebuttal Testimony submitted by Bluewater Wind on February 20, 2007, Mr. Stephens continued to advocate for long term contracts as part of a balanced portfolio. He made reference to California stating that long term contracts provided financial benefit to ratepayers during their energy crisis.<sup>74</sup> With regards to a working group, he again indicated his willingness to take part in a working group to refine the procurement plan for future years. He again stated that in order for the working group to be effective, other agencies such as the Economic Development Corporation and the Office of Energy Resources need to be involved.<sup>75</sup>

#### **I. Cape Wind Surrebuttal**

On February 21, 2007, Cape Wind submitted the Surrebuttal Testimony of Dennis Duffy. Mr. Duffy reiterated many of the arguments made in his direct testimony, specifically addressing Mr. Gerwatowski's testimony regarding long term contracts. Mr. Duffy argued that Mr. Gerwatowski was advocating a "no action" approach which would hinder any ability of an entity to act where there was any uncertainty in a market, something he believed was not a regulatory policy.<sup>76</sup> Mr. Duffy pointed to Texas and California as models of successful renewable project development as a result of long term

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<sup>73</sup> *Id.* at 3-4.

<sup>74</sup> Bluewater Wind, LLC. Ex. 2 (Surrebuttal of Erich Stephens) pp. 2-3.

<sup>75</sup> *Id.*

<sup>76</sup> Cape Wind Ex. 2 (Surrebuttal Testimony of

contracts made up of 20 year terms.<sup>77</sup> Mr. Duffy's conclusions were that the goals of the RES statute, including least cost procurement, would not be met without long term contracts.<sup>78</sup>

Finally, Mr. Duffy supported NGrid's proposed revisions to the RFP evaluation criteria as set forth by Mr. Hager's Rebuttal testimony, but thought they should be separate criteria and not a "subsidiary." However, with regard to the Security Provisions, Mr. Duffy believed that the calculation of damages should be reciprocal for Seller and Buyer. While he agreed that long term contracts should only be entered into with projects that are either fully permitted or very close to being fully permitted, he still believed that the security provisions were overly burdensome.<sup>79</sup>

#### **J. Ridgewood Power's Surrebuttal**

In his surrebuttal testimony, Mr. Short again stated that there is no need for NGrid to enter into long term contracts to satisfy its RES obligations and that there is an adequate supply of new and existing RECs to satisfy NGrid's obligation. He supported a "workshop-like series of meetings between the parties [as] a preferred method and the better way to get all of the issues fully vetted." He also recognized that the procurement of RECs is an evolving process.<sup>80</sup>

#### **IV. Hearing**

Following public notice, a public hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on March 6, 2007 for the purposes of

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<sup>77</sup> *Id.* at 3.

<sup>78</sup> *Id.* at 3-6.

<sup>79</sup> *Id.* at 7-9.

<sup>80</sup> *Id.* at 1-7.



hearing evidence regarding a review of the interim renewable energy standard charge and the proposed RES procurement plan. The following appearances were entered:

FOR NATIONAL GRID:	Laura S. Olton, Esq.
FOR BLUE WATER WIND:	Michael McElroy, Esq.
FOR CAPE WIND:	Dennis Duffy, Esq.
FOR THE OFFICE OF ENERGY RESOURCES:	John R. McDermott, Esq.
FOR THE DIVISION:	William Lueker, Esq. Special Assistant Attorney General
FOR THE COMMISSION:	Steven Frias, Esq. Executive Counsel

Ms. Olton, in her opening statement, indicated that it appears the parties and intervenors, other than Ridgewood Power, believed that for the near term, the Company should move forward with its procurement plan as filed. She also indicated that the parties agreed that the long term issues should be addressed by the formation of a working group. National Grid then presented Michael J. Hager and Ronald Gerwatowski in support of its filing.

During cross examination, Mr. Gerwatowski elaborated on some of its reasons for hesitancy in entering into long term contracts, including the uncertainty of long term market prices, potential conflicts with the least cost procurement requirements for standard offer service (“SOS”) after 2009, incompatibility with retail choice, and an uncertainty of load in the long term relative to conservation efforts and potential customer migration.<sup>81</sup> He expressed concern that with a lack of a forecast for the future price of RECs, it would be too speculative to enter into long term contracts in light of

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<sup>81</sup> *Id.* at 20-40. Mr. Gerwatowski conceded that he had not read any studies suggesting that electricity consumption will decrease over the next few years. *Id.* at 25.

previous experience where forecasts proved inaccurate, resulting in stranded costs to be paid for by ratepayers.<sup>82</sup> Mr. Gerwatowski stated that purchasing electricity under a long term contract from a renewable provider would be a good deal “at the point when they’re not asking for a renewable certificate charge anymore...”<sup>83</sup>

Mr. Gerwatowski agreed that there had been very little migration of non-commercial customers from NGrid’s load, but asserted that this was due to SOS rates being below market prices. He opined that the procurement for the future SOS load would not result in rates below market prices.<sup>84</sup> However, he did not yet know what that procurement would consist of in terms of an energy portfolio. Furthermore, he maintained that even if a small portion of the portfolio included a long term contract for renewable energy which increased the cost of electricity in mills per kWh, customers would start migrating, causing additional rate impact on remaining customers, resulting in additional migration.<sup>85</sup>

While he agreed that price stability is important to customers and that there is more price stability with longer term than shorter term contracts, Mr. Gerwatowski argued that price stability is only important if the price is not set too high.<sup>86</sup> Mr. Gerwatowski agreed that the law requiring NGrid to procure power for customers under the SOS label for the period 2010 through 2020 is flexible enough to allow SOS to be structured differently based on customer class or load profile, including term requirements for taking service under SOS.<sup>87</sup> Seeking Commission review of the new

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<sup>82</sup> *Id.* at 23.

<sup>83</sup> *Id.* at 38.

<sup>84</sup> *Id.* at 45-46.

<sup>85</sup> *Id.* at 53-54.

<sup>86</sup> *Id.* at 42.

<sup>87</sup> *Id.* at 72, 83.

SOS procurement and the REC procurement for the same time periods could avoid a mismatch in load that might occur if the two were procured in isolation.<sup>88</sup>

With regard to the 2007 REC procurement plan, Mr. Hager clarified that the Company was proposing to enter into short term and intermediate term contracts, up to three years by purchasing a portion of its projected requirements through the end of 2009 beginning in 2007. He explained that NGrid would undertake a series of purchases over time in order to take advantage of dollar cost averaging, thus avoiding trying to time the market.<sup>89</sup> Mr. Hager defined a short term contract as less than one year, an intermediate term contract as greater than one year and up to three years and a long term contract as between three and five years. His definitions were based on recent practice within the electric power markets.<sup>90</sup> Because solicitations had not yet commenced, Mr. Hager indicated that he had no information to recommend any change to the interim RES charge.<sup>91</sup>

The Division presented its consultant, Timothy Woolf, of Synapse Energy Economics. In response to cross examination questions regarding the terms of contracts, Mr. Woolf first noted that Mr. Hager had provided an exhibit demonstrating how the Company can combine short-term and intermediate-term contracts for the three year period 2007-2009 and Mr. Woolf opined that that concept could be carried forth in the years beyond 2009. He testified that there needs to be a balance of short-term, intermediate-term, and long-term contracts for RES procurement. However, he indicated that in order to define these terms and arrange the best portfolio, the Company would

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<sup>88</sup> Id. at 75-76.

<sup>89</sup> Id. at 63-64, 68-70, 101.

<sup>90</sup> Id. at 67-68.

<sup>91</sup> Id. at 61.

have to issue RFPs and examine the bids, both in terms of energy and RECs separately and bundled. He stated that the RFP process needs to be serious, with bidders believing they have an opportunity to enter into contracts if their bid makes sense. He cautioned that the Commission and/or Company should evaluate the options before setting up the portfolio, so while in the abstract, it may seem reasonable to decide to have a third short-term, a third intermediate term and a third long-term, once the bid prices come in, it may only make sense to have a small percentage of one type of contract.<sup>92</sup> He further testified that one can never be certain a decision is in the best interest of ratepayers, but by diversifying the options, really reviewing the pricing, and including dollar cost averaging, ratepayers' interests can be better protected.<sup>93</sup>

Blue Water Wind presented Erich Stephens, a Vice President of Blue Water Wind in support of its pre-filed testimony. Mr. Stephens agreed that a five year contract would conceivably benefit a renewable energy provider, but may not be long enough to “move a particular project forward.” He explained that renewable energy projects require significant up front costs through financing and investors want some certainty that they are going to be repaid and this is best demonstrated through long term contracts with creditworthy buyers. He believed that bundling RECs with energy procurement would be beneficial.<sup>94</sup> Addressing the cost of RECs, Mr. Stephens noted that the goal is to no longer have ACPs. In his view, if the purpose of the legislation comes to fruition, ACPs should only be needed as initial investment into contracts which would then spur

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<sup>92</sup> Id. at 113-116.

<sup>93</sup> Id. at 117-18.

<sup>94</sup> Id. at 121-22.

development of renewable sources. Once this occurs, he opined, ACPs should no longer be necessary.<sup>95</sup>

Mr. William Short, Vice President of Power Marketing for Ridgewood Power Management, LLC, testified in support of his testimony. Unlike many of the other witnesses, Mr. Short believed that the market for renewable energy is developing adequate supplies and should be left to grow on its own in order to avoid saturation. He expressed concern with what he termed a “boom and bust cycle.” In support of his position that the market should be left alone, he alluded to situations in California and Nevada where he indicated the requirement of long term contracts had led to defaults where projects never are completed and do not produce RECs.<sup>96</sup> However, in order to support investment, Mr. Short suggested that if the Company does not have sufficient RECs by a date certain, they purchase the remaining supply at that time from suppliers with unsold production.<sup>97</sup> In response to questioning from another potential supplier, Mr. Short conceded that because his company is a large existing producer of renewables in New England, it is in his company’s interest to dissuade new market entrants.<sup>98</sup>

Cape Wind presented Dennis Duffy in support of its position. Mr. Duffy testified that he believed long term contracts would further the purpose of the RES law in Rhode Island “to facilitate the development of new renewable energy resources [and] to supply electricity to customers in Rhode Island with the goals of stabilizing long term energy prices....” He suggested that not every project should be paid the same as another, but

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<sup>95</sup> Id. at 129.

<sup>96</sup> Id. at 135-37, 149.

<sup>97</sup> Id. at 151.

<sup>98</sup> Id. at 157.

rather, the value of the project toward the stated legislative purpose should be evaluated and the compensation should be paid accordingly.<sup>99</sup>

Mr. Duffy believed that bundling RECs with energy procurement would be preferable from a customer's perspective. He noted that ISO-NE had recently conducted a study in which their conclusion is that there will be insufficient renewable supply in order to meet the requirements from various states' RES legislation in 2010.<sup>100</sup> Like Mr. Stephens, Mr. Duffy agreed that while a five year contract would be marginally beneficial to a supplier, it would not "contribute substantially towards the goal of getting new projects financed and built..."<sup>101</sup> He referenced as a positive example, California, where a supplier can get a 20 year contract with the utility to build renewable resources.<sup>102</sup> Mr. Duffy expressed concern that "the question that underlies [whether Cape Wind could start construction without long term contracts] would be would the financial community make the commitments required to proceed in the absence of any long term contracts." He could not identify major wind projects which had "proceeded without some substantial portion under long-term contract."<sup>103</sup> Mr. Duffy did agree that creating a working group to address what might occur with long term contracts after the end of the current SOS period was appropriate.<sup>104</sup>

## **V. Commission Findings**

On March 21, 2007, after public notice, the Commission convened an open meeting to render a decision on NGrid's proposed RES Procurement Plan and interim

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<sup>99</sup> *Id.* at 162-63.

<sup>100</sup> *Id.* at 163-165.

<sup>101</sup> *Id.* at 167.

<sup>102</sup> *Id.*

<sup>103</sup> *Id.* at 170.

<sup>104</sup> *Id.* at 164, 174.

RES charge for calendar year 2007. The Commission made final the interim RES charge of 0.062 cents per kWh effective on usage on and after January 1, 2007. In order to hopefully avoid the need for interim rates and a proceeding that extends beyond December 31, 2007, the Commission directs NGrid to file its proposed 2008 RES Procurement Plan and RES charge simultaneously on or before November 15, 2007.

The Commission approves NGrid's proposed RES Procurement Plan as filed. The Procurement Plan addresses procurement of RECs for 2007 through short term contracts. NGrid will also procure in 2007 a portion of its REC requirement for 2008 and 2009 through what at least two of the parties termed intermediate term contracts. The Commission approves of this strategy as it will allow ratepayers the benefit of dollar cost averaging over time, insulating them somewhat from any spikes that may occur in the REC market through 2009 as renewable energy supply requirements in the New England states increase each year.

The Commission notes that commencing no later than March 1, 2009, each electric distribution company will be required to submit proposed supply procurement plans each year which shall be consistent with the requirements set forth in R.I.G.L. § 39-1-27.7, entitled System reliability and least-cost procurement. These standards need to be developed by this Commission by June 1, 2008, after it reviews the report of the OER and the Energy Efficiency and Resources Management Council, which is required by statute to be filed on or before March 1, 2008.

Until such time as the standards for least cost procurement are developed, the Commission can understand NGrid's reluctance to move forward with long term contracts beyond 2009 at this time. However, NGrid recognizes that it will have a

responsibility to procure standard offer supply after 2009. The General Assembly has set forth its various policy goals, namely that NGrid be procurer of energy supply and that a portion of its supply needs to meet the RES requirements. It appears the General Assembly expected these provisions to all work together for the standard offer period commencing January 1, 2010, with the procurement of the power commencing in 2009.

The Commission also recognizes the challenges facing those companies interested in developing renewable energy supply. The Commission takes the following excerpt from its Docket No. 3659, entitled, In re: Rules and Regulations Governing the Implementation of a Renewable Energy Standard:

Even some of those opposed to the long term contract provision conceded that any prudent portfolio would include long and short term commitments.

The General Assembly has set forth a policy to encourage investment in renewable energy supply. According to developers, commitments to purchase the energy are important for the financing of renewable energy supply development. The Commission agrees with the Post-Hearing Comments of Cape Wind, LLC, that the legislature anticipated long term RES commitments from obligated entities providing standard offer service, last resort service, and their successor services. Furthermore, the General Assembly set forth the policy that the goals of RES are to stabilize long-term energy prices and to create Rhode Island employment in the renewable energy sector. These are not short-term goals....

The Commission still believes that long term contracts will be necessary for the success of the renewable energy supply. However, in light of subsequent changes to the law following the issuance of the above-referenced report, and the future decisions that will need to be made by this Commission, the Commission declines from indicating a fixed percentage of the RES procurement which must come from long term contracts and declines to define what constitutes a long term contract. Furthermore, all parties must keep in mind that the charge of the Commission is to ultimately set rates which are just and reasonable. In order to do this, the Commission will have to assess the risk



associated with asking the ratepayers to act as “financiers” of a project which, by the very testimony in this and other matters, is considered risky to investors. The Commission will also have to evaluate how this type of investment will affect the “least cost procurement” goal of the legislature. These are not decisions for today, but rather, are decisions which will be made as the standards are developed and the procurement plans for standard offer and RES are evaluated, to some extent interdependently, in the future.

Therefore, the Commission directs the parties to collaborate to form a working group to develop a proposed approach for acquiring RECs for the period commencing after the end of the current SOS period, or commencing January 1, 2010. This timing will coincide with the new standard offer period as set forth in R.I.G.L. § 39-1-27.3(b) and will perhaps allow for the better evaluation of the benefits of bundling the REC requirements with the power procurement, particularly in light of the new standards which will be in place after June 1, 2008.

Accordingly, it is hereby

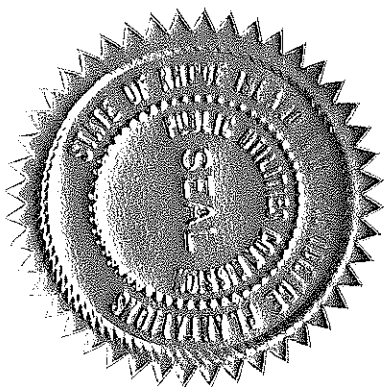
(19108) ORDERED:

1. National Grid’s Renewable Energy Standard Procurement Plan filed on November 3, 2006, is hereby approved.
2. National Grid’s proposed Renewable Energy Standard rate of 0.062 cents per kWh is approved to become effective for usage on and after January 1, 2007.
3. National Grid shall show the Renewable Energy Standard Charge as a separate line item on customer bills and explain by footnote on the bill that the RES charge is mandated by State law.

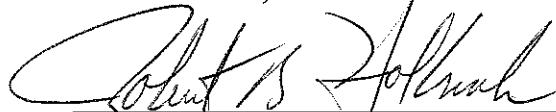
4. National Grid shall calculate the Renewable Energy Standard reconciliation separately in the Standard Offer Service and Last Resort Service reconciliations.
5. National Grid shall file no later than November 15, 2007 its proposed 2008 Renewable Energy Procurement Plan and associated Renewable Energy Standard Rate.
6. The parties shall collaborate to form a working group to develop a proposed approach for acquiring RECs for the period commencing after the end of the current SOS period, or commencing January 1, 2010
7. The Parties shall act in accordance with all other findings and instructions contained in this Report and Order.

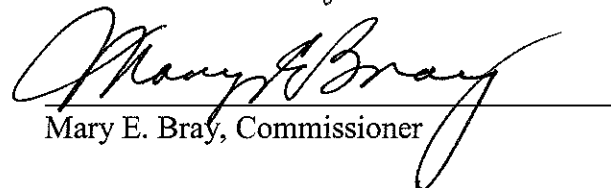
EFFECTIVE AT WARWICK, RHODE ISLAND, PURSUANT TO OPEN MEETING DECISIONS ON DECEMBER 7, 2006 AND MARCH 21, 2008. WRITTEN ORDER ISSUED OCTOBER 17, 2007.

PUBLIC UTILITIES COMMISSION



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\*Elia Germani, Chairman

  
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Robert B. Holbrook, Commissioner

  
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Mary E. Bray, Commissioner

\*Chairman Germani concurs but is unavailable for signature.