

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

November 4, 2011

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-1 (2011):

Referring to OER's response to Commission 1-2, OER states, "The allocation of risks implicitly involves assignment of burdens that *a party* may prefer not to have and that may seem less than optimal from *that party's* perspective." (Emphasis added.)

What specific party is referenced in this response? Is OER referring to the distributed generation owner's perspective in this response?

RESPONSE:

Yes, OER is referring to the distributed generation owner's perspective. Mr. Tormey, a project developer, expressed dismay over the acceptance testing requirements, which he contended would make project financing difficult to impossible. Statutory requirements give rise to this issue, and this was recognized by the working group members. Writing this standard contract in a manner that conforms with the law results in an outcome that certain parties believe is suboptimal. This response elaborates my response to data request 1-2 in the commission's first set of data requests .

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-2 (2011):

Did the Working Group agree that the proposed standard contract which the OER filed with the Commission on October 12, 2011 would not be considered a precedent and that the Board, when constituted, be tasked immediately with generating a new contract?

RESPONSE:

No, there was no such agreement, and OER itself would not have concurred in such a position. OER has been aware throughout the process that the statute speaks to "contracts," that conditions change, and that experience informs understanding. At the October 10, 2011 meeting there was intermittent discussion of training/workshops to develop an appreciation in the community of how the standard contract works. Might there be more specialized standard contracts, yes. If dramatic change were to occur, for example in law, might the standard contract, especially for future enrollments, be adjusted to accommodate that change, yes. This openness seems to have read backward into the meeting as a notion that the effort of the working group has no precedent; the OER does not concur in this understanding of the meeting.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-3 (2011):

Are the critical milestones established in Section 3.1 of the DG Standard Contract consistent with the Company's DG Enrollment Application and Process Rules which require the facility to produce the proposed output within 18 months of contract execution (Section 2.3 of the Company's Enrollment Process Rules)? Why/why not?

RESPONSE:

The OER does not find that the two sections are consistent. As to why, the standard contract was developed later and was subject to the working group process. The OER has written to the Commission (attached letter of November 1, 2011) asking that the provisions of the DG Standard Contract and the DG Enrollment Application and Process Rules be harmonized.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-4 (2011):

Did the Working Group ever receive an objection from any party to the concept of having the DG Standard Contract reflect that renewable energy developers would take responsibility for participating in the forward capacity market?

RESPONSE:

Yes. The OER took these objections seriously and asked the Company to consider amendments to the requirements for participation in the forward capacity market by project owners. Amendments to accomplish this were made and incorporated into the draft standard contract reviewed by the working group on October 10. The standard contract the OER submitted to the Commission reflects those revisions. (Compare §4.8(a) for "Large Distributed Generation Facilities" with §4.8(b) for "Small Distributed Generation Facilities.")

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-5 (2011):

If the answer to No. 4 is yes, please identify the party/parties who so objected and the reason(s) why the objection(s) was/were not previously identified to the Commission?

RESPONSE:

Numerous parties, including developers, environmental advocates, the Economic Development Corporation and the OER. The objections were not reported to the Commission because the objections were handled through revisions to the standard contract prior to its submission to the Commission. The statute requires that seller provide and the buyer obtain a bundled commodity, including capacity, thus capacity issues are a necessary part of the contract, however the burden of participating in the ISO-NE forward capacity market was shifted from the seller to the buyer in the standard contract as filed by the OER with the Commission.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-6 (2011):

Is OER willing to revise Section 4.2(c) of the DG Standard Contract and any other provision included therein which designates the DG owner as Lead Market Participant?

RESPONSE:

Yes, the OER is willing to make revisions that are acceptable to representatives of the buyers and the sellers; however the OER believes that such revisions may not be essential if one considers the seller to be a commercial entity making an informed decision to supply power to the grid under a PPA, if one takes into account how small intermittent suppliers are treated, and if a full and careful reading is given to the provisions of the contract as a whole.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-7 (2011):

Why does Section 4.8 of the DG Standard Contract ("Capacity") treat small distributed generation facilities treated differently than large distributed generation facilities?

RESPONSE:

The DG Standard Contract reflects an awareness that the transactional burdens of participating in the forward capacity market (FCM) may be greater for small distributed generation facilities that are intermittent supply than the amount of revenue generated from such participation; the Buyer can elect whether to participate in the FCM for small projects, and if it does so it will be the "Project Sponsor." Section 4.8(b) describes the treatment of small distributed generation facilities with regard to participation in the FCM through the buyer.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-8 (2011):

Given the number of objections to the requirement that small distributed generation facilities act as Project Sponsor in the forward capacity market, would OER be willing to revise Section 4.8 of the DG Standard Contract ("Capacity") to reflect that the Buyer will act as Project Sponsor in all contracts, with no distinction between large and small distributed generation facilities?

RESPONSE:

See the OER's response to data request 2-7 above. The OER submits that Section 4.8(b) precisely addresses the Commission's inquiry with regard to this matter. If there is participation in the FCM, the contract provides for that participation to take place through the Buyer as the Project Sponsor whether the distributed generation facility is large or small. For large distributed generation facilities, the Buyer is expected to participate in the FCM, Section 4.8(a); for small distributed generation facilities, it has discretion to do so in consultation with the Division, Section 4.8(b). In either case the Buyer acts as the Project Sponsor; there is a rational basis for retaining the permissive characteristics of Section 4.8(b), see OER's response to data request 2-7 above.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-9 (2011):

Please identify any and all disagreements that arose during the Working Group meeting concerning any of the provisions of the proposed DG Standard Contract.

RESPONSE:

The DG Standard Contract was subject, under the statute, to working group review which occurred during meetings on September 30, October 4 and October 10, 2011. The OER endeavored to stay within the four corners of the statute in seeking the working group's position whether the final draft of the DG standard contract met the requirements of the statute. The consensus of the participants at the end of the October 10, 2011 meeting was that the final draft of the DG standard contract met the requirements of the statute. The OER was acutely aware that some meeting participants were dismayed by the effect of specific statutory provisions on the final draft of the DG standard contract; see OER response to data request 2-1 above. The OER considered the purpose of the working group to be advisory with regard to developing the DG standard contract and did not consider it to be within the purview of the working group to deliberate on possible statutory changes. In addition, the OER did not think it feasible, given the time constraints, to start from scratch in developing a contract or to use contract models from other jurisdictions that had never been reviewed by the Commission and had not been vetted by the distribution company and determined to be workable. The OER was mindful from the outset that the DG standard contract had to have a fit with the Long Term Contracting Standard Act, RI GL chapter 39-26.1, as well as the Distributed Generation Standard Contract Act. OER was quite aware that for differing reasons some participants in the working group process, and quite probably some people in the larger community, would have preferred a DG standard contract that was shorter, less detailed, and drawn from other jurisdictions. While in some instances less may be more, the OER operated with the assumption that the DG standard contract had to cover a complex, long-term transaction in a manner consistent with RI law and applicable precedent.

The agreement of the working group was only that the final draft of the DG Standard Contract was in accord with this operating assumption. Beyond the concerted effort to work through the application of this operating assumption, the OER is not in a position to speak definitively about the stance of parties.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-10 (2011):

Please identify the name and address, if known, of all parties who were present at the third work session held on Monday, October 10, 2011.

RESPONSE:

Working Group Members

Kenneth Payne
RI Office of Energy Resources
One Capitol Hill
Providence, RI 02908-5850
Seth Handy, Esq.
Handy Law LLC
42 Weybosset Street
Providence, RI 02903
Madison Milhouse
National Grid
100 E. Old Country Road
Hicksville, NY 11801
Peter Lacouture, Esq.
Robinson & Cole
One Financial Plaza, Ste. 1430
Providence, RI 02903

Christopher Kearns
Alteris
28 Wolcott Street
Providence, RI 02908
Karina Lutz
Peoples Power and Light
17 Gordon Avenue, #201
Providence, RI 02905
Corinne Abrams
National Grid
100 E. Old Country Road
Hicksville, NY 11801

Other Participants

Julian Dash, Director
Renewable Energy Fund, RIEDC
315 Iron Horse Way, Suite 101
Providence, RI 02908

Jerry Elmer, Esq.
Conservation Law Foundation
62 Summer Street
Boston MA 02110

Robert Tormey
NERC Solar (support to Seth Handy, Esq.)
22 Buoy Street
Jamestown, RI 02835

Stephan Wallenberg
Peoples Power and Light (support to Karina
Lutz)
17 Gordon Avenue, #201
Providence, RI 02905

Thomas Teehan, Esq.
Senior Counsel
National Grid
280 Melrose St.
Providence, RI 02907

Paul N. Belval, Esq.(counsel to National Grid)
Day Pitney
242 Trumbull Street
Hartford, CT 06103

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-11 (2011):

Please identify any and all parties who did not agree to the final draft of the DG Standard Contract.

RESPONSE:

As noted in the response to data request 2-9, the consensus of the participants at the end of the October 10 meeting was that the draft DG standard contract met the requirements of the statute. Various participants disagreed with using the Orbit contract as a starting point, disagreed with certain statutory provisions by which the working group was bound, and, as expressed in comments filed with the Commission, disagree with other aspects of the contract.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-12 (2011):

Please address the Division's concern regarding the proposed wind turbine class of 1.5 MW, which also specifies a class target of 1.5 MW. According to the Division, this may result in "awarding the filed price to the first project that met the tariff requirements." Is this statement true or false and why.

RESPONSE:

This statement is true with a major condition, there is a good likelihood that there will be no wind turbine application at all for a 2011 enrollment. Local moratoria are widespread, especially in communities with adequate wind regimes. Lead times for project development are long. Long term monitoring of wind speed is essential. Thus if projects are not far advanced by now, they simply will be unable to enroll in the DG standard contract program in 2011. OER is familiar with projects currently under active discussion in RI and has discussed what may be in the pipe line with the Governor's Office and the EDC; it is OER's sense that may be one and possibly two projects could even be conceivably ready for enrollment in 2011 and even this is not likely. The most probable outcome is that there will be no wind turbine projects applying in 2011. The matter was discussed several times at community review meetings on ceiling price development, and the majority sentiment was that wind turbine projects are unlikely to be ready for application in 2011. OER submitted the ceiling prices in a manner that does not shut the door to a wind turbine project, should one come to fruition, but that does not presume one will apply. Wind turbine projects are much more likely for 2012 and 2013 than they are for 2011.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-13 (2011):

Please explain in detail why solar projects of less than 10kW are not included in the proposed classes and ceiling prices for 2011.

RESPONSE:

Solar projects of less than 10kW are not included in the proposed classes and ceiling prices because the vast majority of the kilowatts in solar installations below 10 kW are sited behind the meter of retail residential and small commercial customers, with most or all of their production consumed on-site. As a result, projects of this size (a) are not well positioned to sell the bundled product (energy, capacity, RECs) purchased under the standard offer; (b) are the target market for Rhode Island's net metering law.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-14 (2011):

Please respond to the Division's memorandum which states, "...the OER should explain why it believes that 50% (as the calculation implies) of project applicants will not be able to take advantage of tax benefits as they are generated by the project." Please include in your response how the proposed ceiling prices would be impacted without this assumption, or specifically, how the ceiling prices would be impacted if it were assumed that greater than 50% project applicants did take advantage of tax benefits.

RESPONSE:

The question, as posed by the Division, appears to misinterpret the explanation of the analysis. By stating an assumption that applicants may not be able to "take advantage of tax benefits as they are generated by the project," the emphasis and meaning of the italicized phrase means that the applicant can (and does) take advantage of the tax benefits, but not "as they are generated," meaning not at the time they are generated, i.e. not in the same tax year as generated.

A significant portion of the cash benefits of renewable energy projects come in the form of depreciation deductions and tax credits. In order to use these benefits at the time they are generated, a renewable energy project owner must have material federal and state income tax liability beyond the liability generated by the project itself. For this reason, independent power producers (and small, regional or state-specific entities in particular) are often unable to monetize the full value of tax benefits (particularly at the state level) either at all, in part, or at the time generated. In recognition of this phenomenon, the CREST-based analysis looked at scenarios in which (i) the tax credits are fully utilized in the period in which they are generated, as well as (ii) the net operating losses must be carried forward until the project can use all of the tax benefits internally at a later date, when the project has positive taxable earnings to offset. The premise of the question is inaccurate, in that all projects are assumed to take advantage of available tax benefits. The first calculation represents an idealized situation that maximizes both the tax benefits and the time value of money. The second

represents a somewhat less idealized case which results in a slightly higher calculated price. Our expectation is that developers active in the market, particularly in the current economy, are unlikely to reap the idealized benefit. In practice, it is quite likely that a third case may be prevalent, one in which some fraction less than 100% of the tax benefits could be utilized. The ceiling prices were selected to reflect a presumed reality between the two cases discussed above which we believe represents a conservative approach consistent with the overall philosophy of selecting among the lower cost, but not the lowest cost, assumptions.

Also note that it should not be assumed that the project host and the project owner are the same entity, and barring a situation in which they are, the tax liability of the host will not influence the project economics.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-15 (2011):

Please respond to the Division's memorandum which states, "Though not all projects will receive state or local grants, we believe that it is possible to include an allowance for these grants in the ceiling prices." Please include in your response an explanation as to why, aside from the federal investment tax credit and 50% bonus depreciation, no other federal, state, local, or other grants are assumed in the proposed ceiling prices.

RESPONSE:

While the merits and specific approaches to inclusion of state grants and other incentives was considered by OER, OER determined not to include additional incentives for several reasons, including:

- Federal investment tax credits and depreciation are at this time the only incentives widely available to wind and solar installations, and at known value.
- Practical considerations make folding other potential incentives or support in a generic calculation of ceiling prices daunting. First, there are many different kinds of support that might be available to a subset of projects, such as feasibility study grants or loans, design and/or construction grants or loans, payment in lieu of taxes agreements, to name a few. Each carries a different benefit and risk not measured solely by the dollar value of the incentive. Second, when such incentives are available to RI projects, they are generally on an application basis to the Renewable Energy Development Fund, rather than under a standing incentive programs with known incentive magnitude common in other states). Third, there is no uniform access to incentives, as the REDF distributes what limited funds are available under a competitive application approach. Finally, the timing of any available incentives is speculative. As a result, there is no clear or

uniform manner in which to predict a specific magnitude or type of incentive.

- The unreliable and non-uniform availability of additional incentives causes an additional challenge in establishing a ceiling price. Consider, for example, a situation in which the price was reduced by 15% to estimate the value of an incentive that might be available, but in practice only 30% of the target quantity of projects was able to secure additional incentives. In such as case, projects without an incentive would not be viable a the ceiling price, and the targets would go unmet, undermining the legislative intent that prices be sufficient to attract investment to meet the targets. Note that for larger projects, there would be competition below the ceiling price, so subsidized projects, in order to assure selection, would likely give back part of the additional incentive in order to secure a standard contract.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-16 (2011):

How would the proposed ceiling prices be impacted if other grants (i.e. Renewable Energy Fund grants) had been assumed?

RESPONSE:

The EDC typically retains the RECs for projects it funds through the; thus projects that receive funding (other for initial feasibility studies) would not have a bundled commodity as required by the statute.

The CREST spreadsheet model is flexible and as conditions change, the inputs to the spreadsheet can change. If a grant program becomes generally available, the amount of the grant could be deducted from the capital cost of the project in calculating a ceiling price.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-17 (2011):

Please address the Division's concerns regarding the inclusion of lease payments, including an explanation of assumptions made regarding the percentage of installations which may involve lease payments.

RESPONSE:

In general, projects participating in the Standard Offer program are assumed to be owned by private third parties. When customer-sited, the advent of the "PPA model" of development has increased the rate of deployment by removing the upfront cost barrier for site hosts. In this structure, the site host exchanges substantial upfront cost and risk for a PPA and lease payment. Sometimes rather than an explicit lease payment, electricity is sold from a 3rd-party owner to a system host at a discount – which we have treated as equivalent to a lease payment. In recognition of these factors, lease payments are assumed for all projects, with lease payment values increasing with the size of the site and the opportunity cost of competing uses for that same space.

(Response prepared by or under
the supervision of Kenneth F. Payne)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: RHODE ISLAND OFFICE OF ENERGY
RESOURCES' PROPOSED DISTRIBUTED
GENERATION STANDARD CONTRACT,
CLASSES AND CEILING PRICES

DOCKET NO. 4288

R.I. OFFICE OF ENERGY RESOURCES RESPONSES TO
COMMISSION'S SECOND SET OF DATA REQUESTS (October 27, 2011)

REQUEST NO. 2-18 (2011):

Appendix C of OER's September 27, 2011 filing, page 12, indicates that REC values are assumed to be \$5.00 per REC. What is the basis for the selected value? Please explain how (or if) this assumption affects the ceiling price calculation?

RESPONSE:

The REC value of \$5/MWh makes transparent one component of the overall assumed market value of production (energy, capacity and RECs) which the modeled project is assumed to receive after the expiration of the Standard Offer contract and before the end of the project's assumed useful life. Practically, because of deep discounting of later years when the time value of money is factored into the calculation, the 'terminal market revenues' projected have a very small impact on the price. A higher REC price assumption would reduce the calculated 15-year ceiling price, but only slightly. Conversely, a smaller REC (or energy and capacity value) would increase the ceiling price.

OER believes the \$5/MWh figure is reasonable and perhaps higher than merited. Throughout the industry, debt financiers typically attribute little or no value to long-term RECs 15 years into the future that are not hedged under a long-term contract. The reason is that RECs are a policy creation without inherent value if the policy were to change or terminate. The value of long-term RECs is therefore highly exposed to long-term legislative/regulatory risk. (Note, in RI, by that time, the RPS ramp-ups have ceased, and it is unclear what the policy landscape will hold). As the project life modeled is 25 years and the standard offer contracts are 15 years, each project relies on market revenues for years 16 through 25. This future revenue is taken into account in the calculation of the initial 15-year Standard Offer contract necessary to create a viable solar or wind DG project.

(Response prepared by or under
the supervision of Kenneth F. Payne)

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the within Responses to the Commission's Second Set of Data Requests (2011) were sent by email to the following this the **4th** day of November, 2011.

John A. Langlois, Esq.
Dept. of Administration

John.Langlois@doa.ri.gov

Kenneth Payne
RI Office of Energy Resources
One Capitol Hill
Providence, RI 02908-5850

Kenneth.Payne@energy.ri.gov

Thomas R. Teehan, Esq.
National Grid
280 Melrose St.
Providence, RI 02907

Thomas.teehan@us.ngrid.com

Joanne.scanlon@us.ngrid.com

Leo Wold, Esq.
Dept. of Attorney General
150 South Main St.
Providence, RI 02903

Lwold@riag.ri.gov

Sscialabba@ripuc.state.ri.us

Dstearns@ripuc.state.ri.us

Acontente@ripuc.state.ri.us

Jon Hagopian, Esq.
Dept. of Attorney General
150 South Main St.
Providence, RI 02903

jhagopian@riag.ri.gov

mcorey@riag.ri.gov

dmacrae@riag.ri.gov

Jerry Elmer, Esq.
Conservation Law Foundation
55 Dorrance Street
Providence, RI 02903

jelmer@clf.org

akullenberg@clf.org

Richard Hahn
Lacapra Associates
1 Washington Mall, 9th floor
Boston, MA 02108

rhahn@lacapra.com

apereira@lacapra.com

Service List (Continued)
Interested Public/Parties

Laurence W. Ehrhardt

Chris Kearns

Kristie Caltabiano, Tecta Solar

Alan Shoer, Esq.

Julian Dash, RIEDC

Karina Lutz

Stephan Wollenberg

Seth Handy, Esq.

Paul Raducha

Kevin Stacom

Fred Unger, Hartwood Group

Robert J. Tomey, Conanicut Energy LLC

LARRY4REP@aol.com

ckearns@alterisinc.com

kcaltabiano@tectaamerica.com

AShoer@apslaw.com

jdash@riedc.com

karina@ripower.org

stephan@ripower.org

seth@handylawllc.com

paulraducha@gmail.com

Kevin.stacom@gmail.com

unger@hrtwd.com

conanicutenergy@cox.net
