

October 23, 2013

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4404 – Commission Review into the Adequacy of Renewable Energy  
Supplies Pursuant to R.I. General Laws § 39-26-6  
Reply Memorandum**

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's<sup>1</sup> written comments in reply to the memorandum, dated October 18, 2013, submitted by Richard Hahn of LaCapra Associates on behalf of the Division of Public Utilities and Carriers ("Division") in the above-referenced proceeding.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 4404 Service List  
Leo Wold, Esq.  
Steve Scialabba, Division

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (referred to herein as "National Grid" or the "Company").

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission and to the RI Division.



October 8, 2013

**Docket No. 4404 – Commission’s Review Into the Adequacy of Renewable Energy Supplies Pursuant to RIGL 39-26-6(d), to go into effect 2015**

**Service list updated on 9/18/13**

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**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**  
**RHODE ISLAND PUBLIC UTILITIES COMMISSION**

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**In Re: REVIEW INTO THE ADEQUACY OF  
RENEWABLE ENERGY SUPPLIES PURSUANT TO  
R.I.G.L. SECTION 39-26-6**

Docket No. 4404

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**REPLY MEMORANDUM OF  
THE NARRAGANSETT ELECTRIC COMPANY D/B/A NATIONAL GRID**

**I. Introduction**

National Grid<sup>1</sup> hereby submits these written comments in reply to the memorandum, dated October 18, 2013, submitted by Richard Hahn of LaCapra Associates on behalf of the Division of Public Utilities and Carriers (“Division”) in the above-referenced docket, regarding the Commission’s review in the Adequacy of Renewable Energy Supplies. In this matter, the Company has previously submitted pre-filed testimony and responses to data requests from the Division, Conservation Law Foundation, and the Commission.

**II. Comments**

The Company understands the points made within the Division’s memorandum and agrees that there would be a decrease in compliance costs to customers if the scheduled increase in the Renewable Energy Standard (“RES”) obligation for 2015 were to be delayed for one year. Moreover, the Division points out that this delay would “not materially impact the price of Class I RECs that projects could obtain from other states” (Division Memorandum at page 9).

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (referred to herein as “National Grid” or the “Company”).

The Company also agrees with the Division's observations on the relationship between the Company's Long-Term Renewable Contracting ("LTC") solicitations and its RES procurement activities (Division Memorandum at page 4). The LTC requirements contained in the Long-Term Contracting Standards for Renewable Energy allow for the Company to use RECs obtained through those LTC solicitations to meet the Company's RES obligations.<sup>2</sup> Thus, the Company proposed linking them in its 2013 RES procurement plan in Docket 4315. This linkage, which was supported by the Division and approved by the Commission, is a more efficient approach of supplying RECs for Standard Offer and reducing LTC costs by crediting back to distribution customers those market costs charged to Standard Offer customers for their RES obligation.<sup>3</sup>

The Company notes that its RES procurement plan has enough flexibility to meet the variability in future deliveries of Renewable Energy Certificates ("RECs") from LTC projects, either under- or over-supply. In either instance, the Company would be able to procure additional RECs from the market if undersupplied from the LTC projects, and conversely would be able to bank and/or sell any excess RECs if oversupplied from the LTC projects. Most recently, the Company demonstrated that it was able to accomplish sufficient purchases per the approved RES procurement plan to meet the RES obligation of over 200,000 New RECs for the 2012 compliance year. The current RES and Alternative Compliance Payment ("ACP") framework gives the Company, as well as other obligated entities within Rhode Island, a market

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<sup>2</sup> See R.I.G.L. § 39-26.1-5(d).

<sup>3</sup> This linkage avoids incremental transaction costs, and, as LaCapra observed, may also increase the likelihood of an adequate supply for Standard Offer and minimize the probability of making an Alternative Compliance Payment.

advantage in obtaining qualified New RECs over other states like Connecticut and New Hampshire, which cannot effectively compete in procuring RECs since they have lower ACPs. These lower ACPs are also noted by Mr. Paul Flemming in his direct testimony as the reason for the projected lower shortfall for Rhode Island in 2015 relative to the rest of New England (Flemming Pre-filed Testimony at page 8).

The projected commercial operation dates of the LTC projects, as well as the RES requirements based on forecasted Standard Offer load, are only some of the many factors that impact the analysis of resource adequacy. Reasonable adjustments to a few of these factors can result in a different conclusion. Based upon recently-updated, expected commercial operation dates for the LTC projects, it would be reasonable to project that there may be not be enough self-supply of New REC from LTC projects to meet the RES requirements in 2015 and 2016. The Company would like to clarify, however, that some of the recently-updated expected in-service dates for certain LTC projects reflect certain “deadline” dates as described within the power purchase agreements, and not necessarily the actual commercial operation date, which could be achieved before the contractual deadline. Although the Company’s analysis shows that there is potential for adequate supply for competitive suppliers and the Company to meet the RES obligations in 2015, the Company also recognizes that the Division’s conclusions are reasonable, given the current information available.

The Company continues to support the development of renewable energy resources. However, it is open to the Division’s recommendation to delay the increase in the RES obligation in 2015 because such a delay would decrease compliance costs for customers.

Nevertheless, the Company recognizes that this is ultimately a policy decision for the Commission.

Respectfully submitted,

**THE NARRAGANSETT ELECTRIC  
COMPANY**

By its attorney,



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Dated: October 23, 2013