

October 4, 2013

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4437 - Review of Power Purchase Agreement – Champlain Wind, LLC
Pursuant to RI General Laws § 39-26.1 *et seq.*
Responses to Commission’s Data Requests – Sets 3 and 4**

Dear Ms. Massaro:

Enclosed for filing are National Grid’s¹ responses to the Commission’s Third and Fourth Sets of Data Requests concerning the above-referenced proceeding.

Thank you for your attention to this transmittal. If you have any questions, please contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4237 Service List
Leo Wold, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid (hereinafter referred to 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 of Public Utilities & Carriers.

Joanne M. Scanlon

October 4, 2013
Date

Docket No. 4437 - National Grid PPA w/ Champlain Wind, LLC (Bowers Wind Project, Developer) Service List updated 9/24/13

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Commission 3-1

Request:

Explain the development period security provision in Section 3.1 (c) of PPA. Under what conditions will National Grid be paid \$250,000 pursuant to Section 3.1 (c), and will the costs of this PPA charged to ratepayers be reduced/adjusted by any amounts paid to National Grid pursuant to this section?

Response:

Pursuant to Section 3.1(c) of the Champlain Wind PPA, Champlain Wind is required to post an additional \$250,000 development period security in order to obtain a six-month extension of Critical Milestones. Assuming that Champlain Wind ultimately meets all obligations under the PPA, as described in Section 6.2 of the PPA, any undrawn amount of the development period security will be returned to Champlain Wind pursuant to the provisions of that section. Therefore, under those circumstances, none of the development period security will be retained by the Company.

Commission 3-2

Request:

Will the costs of this PPA charged to ratepayers be reduced/adjusted by delay damages paid to National Grid pursuant to Section 3.6 (a)?

Response:

Section 3.6(a) effectively extends the deadline for commercial operation by one year by having Champlain Wind pay delay damages as calculated in the PPA during that year. In the event that the Company receives delay damages from Champlain Wind pursuant to Section 3.6(a), the Company would first seek to apply such damages to the costs incurred by the Company as a result of Champlain Wind’s delay prior to distribution of those funds to customers. However, in any event, the Company would submit a proposal to the Commission for the appropriate disposition of the payments.

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4437
Review of Power Purchase Agreement – Champlain Wind, LLC
Pursuant to R.I.G.L. § 39-26 *et seq.*
Responses to Commission’s Third Set of Data Requests
Issued on September 27, 2013

Commission 3-3

Request:

In the event this PPA is terminated due to either party’s default, will the costs of this PPA charged to ratepayers be adjusted by any Termination Payments made by the defaulting party pursuant to Section 9.3 (b)?

Response:

In the event that Champlain Wind defaults under the PPA and is liable for a termination payment, the Company would first seek to apply such payment to the costs incurred by the Company as a result of Champlain Wind’s default prior to distribution of those funds to customers. However, in any event, the Company would submit a proposal to the Commission for the appropriate disposition of the termination payment.

Commission 3-4

Request:

The Black Bear PPA authorized an extension of the critical milestone date if Buyer failed to notify Seller of receipt of regulatory approval within 105 days of Agreement Date. Does the Champlain PPA contain a similar provision? If not, why not?

Response:

The critical milestone dates in the Black Bear PPA depended upon starting construction on a certain schedule; therefore, Black Bear Hydro negotiated an extension of those milestone dates in the event that the regulatory approval was not received within a specified timeframe. This provision was specific to certain economic and timing concerns of Black Bear Hydro, and Champlain Wind did not indicate a similar concern during negotiations.

Commission 3-5

Request:

The Black Bear PPA contained a Seller’s right to terminate if Buyer failed to notify Seller of regulatory approval by a specified deadline (180 days after Agreement Date). Does the Champlain PPA contain a similar provision? If not, why not? If the Champlain PPA contains a similar but revised provision, please explain any revisions that were made from the Black Bear PPA provision.

Response:

Please see the Company’s response to COMM 3-4.

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R.I.P.U.C. Docket No. 4437
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Pursuant to R.I.G.L. § 39-26 *et seq.*
Responses to Commission’s Third Set of Data Requests
Issued on September 27, 2013

Commission 3-6

Request:

If the Champlain PPA is reinstated on re-negotiated pricing terms pursuant to Section 9.3(b)(viii), would National Grid treat such reinstated agreement as a new agreement subject to PUC approval? Please cite the provision in the PPA that supports your response.

Response:

In the event that the PPA was terminated and then reinstated pursuant to Section 9.3(b)(viii) on new pricing terms, the Company would treat such reinstated agreement as an amendment. Section 18 of the PPA provides that the Company may determine, in its sole discretion, whether an amendment of any provision of the PPA requires approval of or filing with the Commission. In the event that the PPA was terminated and then reinstated pursuant to Section 9.3(b)(viii) on new pricing terms, then the Company would file a copy of the reinstated PPA with the Commission for approval of the new price.

Commission 3-7

Request:

The Company’s confidential report on the Third Solicitation for Long-term Contracts for Renewable Energy Projects reveals that another renewable energy developer scored higher than Champlain Wind in the non-price evaluation. Please explain why.

Response:

Another renewable energy developer scored slightly higher than Champlain Wind in the non-price evaluation because that project was further along in the interconnection process at the time of bid evaluation. The other project had a completed System Impact Study (SIS), while Champlain Wind’s System Impact Study was still in progress at the time.

A System Impact Study must be completed prior to execution of an interconnection agreement, which is required for interconnection of a new generator to the transmission system. The System Interconnection Study determines the feasibility of interconnection and the required interconnection facilities and system upgrades.

Commission 3-8

Request:

Is it fair to characterize the Bowers Project as being in an advanced stage of development (Corinne Abrams, page 8, line 2) when it has been denied a permit to construct the proposed project?

Response:

Yes, it is still fair to characterize the Bowers Wind Project as being in an advanced stage of development because Champlain Wind has site control and an existing transmission facility that will be used to connect the project to the Pool Transmission Facilities. It is important to note that the development process for projects of this size and technology is both lengthy and costly. Most projects at the time of bidding do not have permits in hand, and most developers bear the risk of permitting uncertainty at the time of bidding and at contract execution. In this case, Champlain Wind is better positioned to address permit issues sooner, rather than later, and now has the time and resources to pursue an appeal for which they have indicated has a good likelihood of success.

Commission 3-9

Request:

The Order issued by the Maine DEP denying Champlain Wind’s application to construct the Bowers Project is dated August 5, 2013. The Champlain Wind PPA is dated August 2, 2013.

- a) On what date did bids close for the Third Solicitation?
- b) On what date did the Company formally notify Champlain Wind that it won the Third Solicitation?
- c) Was the Company aware of the Maine DEP permit denial on the date that it awarded the contract to Champlain Wind?
- d) Was the Company aware of the Maine DEP permit denial when it signed the PPA?

Response:

- a) The due date for submission of bids was August 3, 2012.
- b) National Grid formally notified Champlain Wind that it won the solicitation on December 17, 2012.
- c) The Maine DEP decision of the permit application had not yet been issued at the time that the Company awarded the contract to Champlain Wind.
- d) The Company was aware of the Maine DEP permit denial when it signed the PPA.

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R.I.P.U.C. Docket No. 4437
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Responses to Commission’s Third Set of Data Requests
Issued on September 27, 2013

Commission 3-10

Request:

Please provide a copy of the Company’s written, formal notice to Champlain Wind that it had won the Third Solicitation.

Response:

The Company formally notified Champlain Wind by phone that it had won the Third Solicitation on December 17, 2012. This notification was acknowledged in an email from Champlain Wind, which is attached as Attachment COMM 3-10.

Abrams, Corinne M. (Marketing)

From: Matt Kearns [MKearns@firstwind.com]
Sent: Monday, December 17, 2012 5:01 PM
To: Abrams, Corinne M. (Marketing)
Cc: Michele E. Beasley; Kurt Adams; Aaron MacQueen
Subject: National Grid 2012 RFP Notification - Long-Term Contracts for Renewable Energy Projects

Corinne

Thank you for your call today! We are very pleased to move to the next phase of discussions regarding a power purchase agreement with National Grid for our Bowers Wind project.

Aaron MacQueen, First Wind's Assistant General Counsel and I will be working with you on this agreement.

You mentioned the possibility of coming to Maine for a tour. That would be great – please let me know what dates work for you and I will arrange it.

Best regards,

Matt

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10/02/2013

Commission 3-11

Request:

Assuming the Company was not aware of the permit denial during the Third Solicitation, would knowledge of the permit denial have impacted Champlain Wind’s non-price evaluation score? If yes, how would it have impacted it?

Response:

It is difficult to assess what the non-price evaluation score would have been because the permitting and siting category of the non-price criteria is only one factor in the overall score, and is dependent on a variety of circumstances. However, had the Maine DEP denial been issued at the time the response to the RFP was due, this would necessarily have been reflected in the bid submittal, and the Company would have considered the specific circumstances in the evaluation. It is worth noting that more often than not developers do not have permits in hand at the time of bidding or award. Furthermore, because the PPA was executed after the Maine DEP decision was issued, the Company had the opportunity to negotiate the critical milestone dates and associated damages in the PPA.

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R.I.P.U.C. Docket No. 4437
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Responses to Commission’s Fourth Set of Data Requests
Issued on September 27, 2013

Commission 4-1

Request:

Referring to Revised Appendix A filed September 23, 2013 in Docket 4316, explain the specific nature of the error(s) that resulted in the Company revising the scores and rankings for certain developers in the Third Solicitation.

Response:

The error that was found was related to the net present value calculation being performed over the incorrect period of time. The correction of this error did not result in a change in the rankings of the top projects that were short listed.

Commission 4-2

Request:

Referring to Attachment DIV 1-8 (Confidential), please explain why the Bowers Project received the highest score, along with 2 other developers, in the Siting and Permitting category.

- a) Please include in your response whether and to what extent the Maine DEP permit denial was considered in the calculation of this score.
- b) What is the highest potential score a developer can receive in the Siting and Permitting category?

Response:

- a) At the time of bid evaluation, the Bowers Wind project, along with two other projects had 100% site control and had a reasonable permit acquisition plan.

At the time of bid evaluation, the Maine DEP permit decision had not been issued. The bid evaluation was completed in October 2012, and National Grid became aware of the permit denial in July 2013.

- b) The highest potential score a developer can receive in the Siting and Permitting category is a 4.0.