State of Rhode Island Public Utilities Commission

In Re: The Narragansett Electric Company D/B/A National Grid Tariff advice Filing For Renewable Energy Growth Program And Solicitation And Enrollment Process Rules

Docket No. 4536

Pre-Filed Testimony of

Mark Depasquale

January 22, 2015

I. Introduction and Qualifications

Q. Please state your name and business address.

A. My name is Mark Depasquale and my business address is 3760 Quaker Lane, North Kingstown, Rhode Island 02852.

Q. By whom are you employed and in what capacity?

A. I am the principal of Green Development, LLC dba Wind Energy Development, LLC (WED).

Q. When was WED formed?

A. The company was founded in 2009.

Q. What was your professional background before starting WED?

A. I have over twenty years in the commercial construction industry. I've developed, managed and coordinated over 100 projects, totaling over $350 million. My experience ranges from manufacturing and warehouse facilities, commercial industrial parks, municipal facilities, road construction, to office complexes and retail centers.

Q. Why did you start WED?

A. Given my history of site work for development, I wanted to start a business that will have a positive impact on the environment and economy my kids will inherit. I saw and still see a great opportunity in wind energy development and my professional experience has prepared me well for that work.

Q. What is WED's mission?

A. To be the lead developer of wind energy for Rhode Island, provide competitively priced clean, renewable energy, create jobs and help save farms and open space.

Q. How has the business done to date?

A. It is coming together nicely but not without substantial challenges.

Q. What are the successes?

A. We built one of the first DG projects in North Kingstown, next to my house, proving that we can deliver and operate these projects effectively. That turbine is performing extremely well. We have six more projects, involving the development of ten turbines, permitted in Coventry. Two of those turbines (WED COV 3 and WED COV 4) are currently enrolled in the Distributed Generation Standard Contract program. We have a net metering finance agreement to net meter energy from COV 1 (one turbine) to the Town of Coventry. We anticipate either purchases or net metering finance agreements with public entities for WED Coventry Six, LLC (three turbines) and WED Coventry Two, LLC (three turbines). We intend to either enroll WED Coventry Five, LLC (one turbine) under the Renewable Energy Growth tariff or contract with a public entity for that turbine's power. We are under contract to remove the existing turbine owned by the Town of Portsmouth and replace it with a new Vensys turbine that will be net metered to the Town of Portsmouth. We are planning additional projects in West Warwick, North Smithfield and a number of other locations. There is lots of interest from investors and banks, provided we can efficiently and cost effectively interconnect these projects. We are upbeat about advancements and opportunities in Rhode Island's energy policy given

the current administration of the Office of Energy Resources, the energy planning work pending approval (including the results of the Brattle Group's benefit/cost study demonstrating the great net benefits of these investments in renewable energy), and hopefully improving alignment of the interests of public policy goals and utility policies and procedures. We see a great opportunity to preserve farms and open space by providing supplemental income from the colocation of wind energy.

Q. What are the challenges?

A. The risks and soft costs of project development are still substantial, from siting policies to local taxation policy to legal challenges posed by the utility (interconnection). The North Kingstown turbine is operating at a loss because the contracting DG rate of $.1335 per kWh is far too low to sustain the project costs. Our state energy plan reflects the wealth of stakeholder and expert input on the need to diversify our energy sources for energy security, reliability and cost reasons, but the State's policy statements, policies and regulatory positions still downplay and do not fully embrace the significant opportunity for diversification through renewable energy.

Q. Why is the Renewable Energy Growth Program tariff important to you?

A. The Renewable Energy Growth program provides a new off-taker for energy produced from our turbines developed between 2015 and 2019. The three concerns for that off-taker source are the adequacy of the ceiling price (that still does not reflect actual development conditions), the allocation between technologies (that overcommits to seventy-five percent solar) and the terms of the tariff under which the energy would be

enrolled. If the economics of this program work for our projects, we want to be sure that the tariff terms are reasonable, especially if wind is allowed its share of program allocation. I want the State to achieve its renewable energy goals as stated in the Energy Plan and the Renewable Energy Growth Program Act (the Act) and those goals may be inhibited and obstructed by tariff terms that are inconsistent with the Act's intent or otherwise overly burdensome or unreasonable. If developed and executed properly, this new program could make a significant contribution to the diversification, security, reliability and cost effectiveness of our energy supply while creating a bold new economy right here in Rhode Island. But, if the program is not well developed and executed it could be plagued by under-enrollment and fail to meet its important statutory objectives.

Q. What is your concern about the formula used to calculate the net metering credit in the tariff?

A. The Act provides that the performance-based incentive (PBI) will be the same whether the customer elects to be paid solely by check or by the combination of net meter credits to the meter and a check. RI Gen. Laws §39-26.6-20(e). In a case where a net metering credit is combined with a check, the PBI is established as follows: "The performance-based incentive shall be applied as a price per kilowatt-hour for all kilowatt-hours actually produced from the distributed generation (net of station service, if any) for the term of years specified in the applicable tariff, less the value of any kilowatt-hour charges that were offset by any net metering (if applicable) for the host customer associated with the distributed generation for the billing month." Id. at 20(d). Section 20(f) of the Act states that the customer "[s]hall receive compensation in the form of

offsets against its electricity bill from the electric distribution company from net metering and the balance in the form of a check from the electric distribution company or such other payment method that is mutually agreed upon between the electric distribution company and the owner." Id. at 20(f). In all, the Act makes it clear that where a customer elects to net meter the full value of its net-metered energy will be credited to the customer and if that value is anything less than the full PBI value the customer would get if only receiving a check.

Pages 33 and 36 of National Grid's presentation to stakeholders on October 14, 2014, clearly indicated that the net metering credit would be the value of all elements of the utility bill excepting only the customer charge (see Didominico and Lloyd Pre-filed Testimony at 9). When asked about this method of assessing the net metering credit under this program during the October stakeholder session, National Grid confirmed a dollar for dollar credit against the bill, except only the customer charge. The Company's Executive Summary filed with the Commission on November 14, 2014, stated the following (page 3, 4th bullet): "In every case where a project can be configured for net metering and is sized according to their on-site load, the customer shall have the choice of receiving the entire PBI payment directly or receiving compensation through a combination of a direct payment and a bill credit based on the value of the customer's on-site consumption." Nevertheless, the tariff is unclear on how the net-metered energy will be credited and that ambiguity and inconsistency may diminish the total value of the PBI and thereby underrmine the Act.

In the November stakeholder meeting, National Grid made the same visual presentation about the method of assessing the net metering credit but in response to questioning on this issue, the Company began to hedge, indicating that the powerpoint did not reflect all of the reductions that would made to the value of the credit. Section 6(c) of the proposed residential tariff and section 8(c) of the proposed commercial tariff calculates the net metering credit for this program as follows: "the sum of all retail delivery service per kWh charges applicable to the Customer's retail delivery service rate class per RIPUC No. 2095, Summary of Retail Delivery Rates, as may be amended from time to time." Schedules NG-8 and NG-9 attached to the proposed commercial tariff are inconsistent with the tables presented to the stakeholders on October 14. In the Company's October 14 presentation, the net metering credit was valued as the total bill minus only the customer charge. The tariff only credits the per kWh charges on the bill.

The question of whether the Company credits the full value of the bill minus only the customer charge or only credits the per kWh charges is potentially very significant to the value of the PBI. The Act clearly intends the value of the PBI to be the same whether or not the customer elects to net meter. However, if the Company accounts for the net-metered energy by kWh rather than its PBI value, then a discounted net-metering value will decrease the total value of the PBI, contrary to the intent of the Act. As a simple example, if the customer produces 2 kWh of energy and the bid PBI value is $.20/kWh then the check mechanism would provide $.40. However, if the customer elected to net meter 1 kWh of its produced electricity and that net metered energy is credited at half of the value of the customer's billed rate of $.20/kWh (or $.10/kWh), and only the balance

of the produced electricity gets the PBI check, then the combined net meter and check approach would only give the customer a total PBI of $.30 ($.10 for the kWh that is net metered and $.20 for the kWh that is compensated by check).

The tariff language should be amended to be clear that the net metering credit is based on the full value of the bill minus only the customer charge. There is no reason for this tariff to provide anything less than the full value of any energy produced and credited against load, whether that load is on location or not (for public entities the production need not be at the location of the load pursuant to our net metering law). The total PBI Payment must always be based on the full monetary value of the produced electricity as multiplied by the PBI and not by a combination of crediting discounted net-metered electricity and then valuing what is left pursuant to the PBI.

Q. What is your concern about tariff deadlines including the output certification deadline?

A. All deadlines should be subject to extension for delays caused by National Grid. This includes any delays caused by National Grid's administration of interconnection. For example, section 3(d) of the commercial tariff requires an output certification within a specified period of time and section 3(e) allows 90 days from the output certification for commercial operation. The Distributed Generation Contract for WED Coventry One, LLC has been terminated because COV1 could not comply with the deadlines for output certification given National Grid's 18-24 month schedule for the completion of interconnection (which exceeds the due date for generation of the Output Certification under the current DG Contract program). The last sentence of the proposed second

paragraph of §2.3.2 of the Commercial Enrollment Application states: "National Grid will not refund the Performance Guarantee Deposit to any project that does not provide an Output Certification within the applicable deadlines." This sentence is designed to discredit COV One's dispute that a customer should not forfeit the performance guaranty deposit if the delayed compliance with the Output Certification requirement is solely caused by National Grid – such as where its interconnection impact study indicates that interconnection cannot be completed within the required time frame. The sentence should be stricken. It is inequitable and inconsistent with statutory intent to throw a project out and keep a performance guaranty deposit just because of delay caused by National Grid's interconnection process.

Q. What is your concern about outstanding account balances as addressed in the proposed tariff?

A. The provisions holding customers ineligible for enrollment under the tariff if they have outstanding account balances with National Grid should be deleted (see e.g., Residential tariff §6(a); Commercial Tariff §8(a); Enrollment Rules §1.2.2.2). There is no relationship between this program and any such outstanding accounts that may be (and often are) in dispute for good reason. I have a number of good faith financial disputes with National Grid right now and there is no reason such disagreements should interfere with program participation or inhibit the attainment of the program goals.

Q. What is your concern about damages for a breach of the tariff?

A. The current Distributed Generation Standard Contract provides remedies for a breach of contract, including termination and set off damages (see §8). Just because the

contracts were converted to a tariff does not mean that customers should not have a remedy of specified damages if and when National Grid breaches the terms of the tariff (e.g., nonpayment).

Q. What is your concern about registration for renewable energy credits in other jurisdictions?

A. The Company proposes to charge customers for the cost of obtaining eligibility for Renewable Energy Credits in other jurisdictions (see eg, Commercial Tariff §7A; Enrollment Rules §2.4.3). It is reasonable to hold the customer responsible for qualifying in Rhode Island (standard practice for developments), but if National Grid wants to establish eligibility elsewhere, it should either handle the application process itself or reimburse the customer for the reasonable cost of that application process.

Q. What is your concern about zonal development incentives?

A. I support the idea of a pricing bonus for projects that clearly serve policy objectives, like those located in grid-constrained areas, as discussed in §8(b) of the commercial tariff. I do not understand why such proposed incentives have not been developed for this filing rather than putting them off for implementation at National Grid's future discretion.

Q. What is your concern about §2.1.1 of the Commercial Enrollment Application?

A. The last sentence of the second paragraph of §2.1.1 of the proposed Enrollment Application should be deleted. That sentence states that "All interconnection costs must be paid by the Applicant of the distributed generation (DG) project." This is not the interconnection tariff where such questions should be addressed.

Q. Does this conclude your testimony?

Yes.