

October 15, 2015

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4574 - Review of Power Purchase Agreement – Copenhagen Wind Farm, LLC
Pursuant to Rhode Island General Laws § 39-26.1-1 *et seq.*
Responses to Commission Data Requests – Set 2**

Dear Ms. Massaro:

On behalf of National Grid¹ I have enclosed the Company's responses to the second set of data requests that were issued by the Rhode Island Public Utilities Commission on October 5, 2015 in the above-referenced docket.

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 4574 Service List
Leo Wold, Esq.
Jon Hagopian, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

October 15, 2015
Date

Docket No. 4574 - National Grid – Review of PPA - Copenhagen Wind Farm, LLC
Service List updated 8/21/15

Name/Address	E-mail Distribution	Phone
Jennifer Brooks Hutchinson, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Jennifer.hutchinson@nationalgrid.com ;	401-784-7667
	Celia.obrien@nationalgrid.com ;	
	Joanne.scanlon@nationalgrid.com ;	
	Corinne.didomenico@nationalgrid.com ;	
	Brooke.skulley@nationalgrid.com ;	
Jon Hagopian, Esq. Division of Public Utilities and Carriers	Jon.hagopian@dpuc.ri.gov ;	401-222-2424
	Steve.scialabba@dpuc.ri.gov ;	
	Al.mancini@dpuc.ri.gov ;	
	Joseph.shilling@dpuc.ri.gov ;	
	Lwold@riag.ri.gov ;	
	dmacrae@riag.ri.gov ;	
Richard Hahn Carrie Gilbert LaCapra Associates One Washington Mall, 9 th floor Boston, MA 02108	rhahn@lacapra.com ;	617-778-2467
	cgilbert@lacapra.com ;	
Gerald J. Petros, Esq. Hinckley Allen 100 Westminster Street, Suite 1500 Providence, RI 02903-2319	Gpetros@hinckleyallen.com ;	401-274-2000
	jmansolf@hinckleyallen.com ;	
File an original & 9 copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ;	401-780-2017
	Alan.nault@puc.ri.gov ;	
	Todd.bianco@puc.ri.gov ;	
	Amy.Dalessandro@puc.ri.gov ;	
Office of Energy Resources	Nicholas.ucci@energy.ri.gov ;	

Nicholas Ucci Christoper Kearns	Christopher.Kearns@energy.ri.gov	
------------------------------------	--	--

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4574
In Re: Review of Power Purchase Agreement
Between The Narragansett Electric Company and
Copenhagen Wind Farm, LLC
Responses to Commission's Second Set of Data Requests
Issued on October 5, 2015

COMM 2-1

Request:

What is the basis for the Company's use of a 7.0% discount rate in the PPA pricing -market comparison?

Response:

The discount rate of 7% was used for purposes of net present value calculations in the bid evaluation. The discount rate of 7% is derived from the Company's weighted average cost of capital (WACC).

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4574
In Re: Review of Power Purchase Agreement
Between The Narragansett Electric Company and
Copenhagen Wind Farm, LLC
Responses to Commission's Second Set of Data Requests
Issued on October 5, 2015

COMM 2-2

Request:

What is the basis for the Company's use of an 8.0% discount factor in the termination payment calculation (Paragraph 9.3(b) "Termination and Termination Payment." Pages 46-47 of PPA)

Response:

The discount rate of 8% was used for purposes of termination payment calculations in the PPA. The discount rate of 8% was a negotiated rate and agreed to by both parties of the PPA. See also the Company's response to COMM 2-3.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4574
In Re: Review of Power Purchase Agreement
Between The Narragansett Electric Company and
Copenhagen Wind Farm, LLC
Responses to Commission's Second Set of Data Requests
Issued on October 5, 2015

COMM 2-3

Request:

Explain whether the terms “discount rate” in the market pricing comparison, and “discount factor” in the PPA (pages 46-47), have the same meaning. If yes, explain why the Company uses two different discount rates for the market analysis and the termination payment calculation.

Response:

A “discount rate” is used for purposes of calculating the net present value of future cash flows.

For purposes of bid evaluation, the Company used a discount of 7%, equivalent to the Company's WACC, to compare bid prices to the forecasted value of the market products. It is appropriate to use the Company's WACC for purposes of estimating the Company's expected costs over the life of the contract.

For purposes of calculating the termination payment under the PPA, the parties agreed to a discount factor of 8% to calculate the damages owed by *either party* upon an event of default on or after Commercial Operation. The discount rate of 8% is reasonable and has been used in all of the Company's approved renewable PPAs for purposes of calculating the termination payment.