

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

THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID’S SOLICITATION OF : **DOCKET NO. 4822**
LONG-TERM CONTRACTS PURSUANT TO :
R.I. GEN. LAWS § 39-26.1 to 9 :

REPORT AND ORDER

I. Summary

On April 20, 2018, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Public Utilities Commission (PUC or Commission) a draft Request for Proposals (RFP) for approval pursuant to the Long-Term Contracting Standard for Renewable Energy, and in accordance with the “Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy (Rules),” promulgated by the Commission.^{1,2} The Company sought the Commission’s approval of the draft RFP as a reasonable, open, and competitive method of soliciting proposals for long-term contracts for renewable energy supply as well as Renewable Energy Certificates (RECs) and related attributes from up to 400 megawatts (MW) of newly developed renewable energy resources. The RFP included the Company’s proposed method of solicitation, products being sought, eligibility requirements for bidders and facilities, threshold requirements, other minimum requirements, evaluation criteria, and a solicitation timetable.

On July 9, 2018, following an exchange of comments by the parties, National Grid filed an amended RFP for PUC approval (Amended RFP). Where the RFP had included a minimum

¹ The Long-Term Contracting Standard requirements can be found in R.I. Gen. Laws § 39-26.1-1 to 9. The Commission’s regulations were adopted in accordance with R.I. Gen. Laws § 39-26.1-5(e).

² All filings in this docket can be accessed at: <http://www.ripuc.org/eventsactions/docket/4822page.html>. The parties to the docket were National Grid, the Division of Public Utilities and Carriers, Office of Energy Resources, Conservation Law Foundation, FirstLight Power Resources, Vineyard Wind, NextEra Energy Resources, and Weaver Wind LLC.

project size, the Amended RFP also included a maximum project size.³ The Amended RFP clarified that the Company's proposal was to conduct a public solicitation rather than conducting individual solicitations.⁴ If no commercially reasonable bids are received, the Company stated that it would review its options to meet the Long-Term Contracting Standard again in 2019.⁵ National Grid clarified that all energy would be immediately sold into the wholesale markets while RECs in excess of the Company's annual RES obligation would be sold into the REC market.⁶ The Company included additional requirements for the evaluation of offshore wind projects.⁷ Finally, the Company made slight modifications to the RFP schedule.⁸

On August 27, 2018, following the exchange of discovery and evidentiary hearing conducted on August 1, 2018 and August 8, 2018, the PUC approved the Amended RFP with additional modifications, finding that the timetable and method of solicitation comply with the framework and requirements of the Long-Term Contracting Standard.⁹ National Grid filed a second amended RFP on August 31, 2018, to comply with the PUC's August 27, 2018, decision.¹⁰ On September 6, 2018, the PUC approved the August 31, 2018 RFP.¹¹

II. Background

Under the Long-Term Contracting Standard, National Grid is obligated to procure a minimum long-term contract capacity of 90 MW. As of December 30, 2017, National Grid had executed contracts for approximately 87% of the minimum long-term contract capacity required

³ Amended RFP at 1, 7.

⁴ *Id.* at 2.

⁵ *Id.* at 3.

⁶ *Id.* at 6.

⁷ *Id.* at 8-10.

⁸ *Id.* at 19.

⁹ Open Meeting Minutes (Aug. 27, 2018);

<http://www.ripuc.org/eventsactions/minutes/Minutes%20August%2027,%202018.pdf>.

¹⁰ In addition to the changes required by the PUC, the Company also once again adjusted the RFP Schedule.

¹¹ Open Meeting Minutes (Sept. 6, 2018);

<http://www.ripuc.org/eventsactions/minutes/Minutes%20September%206,%202018.pdf>.

by the Long-Term Contracting Standard. National Grid is required by Section 5.3 of the Commission's Rules to solicit the remaining approximately 13% of its Long-Term Contracting Standard capacity, resulting from a terminated long-term contract, the equivalent of approximately 10.74 MW. National Grid is entitled to remuneration under R.I. Gen Laws § 39-26.1-4 for any approved Long-Term Contracting Standard capacity that the Company is obligated to procure.¹² National Grid is not obligated to enter into contracts for any additional capacity above this obligation.¹³ For any additional capacity above this obligation voluntarily procured by the Company, the Commission has the discretion to approve remuneration in the form of incentives, pursuant to its general supervisory authority over the Company and its authority to set just and reasonable rates.¹⁴

The Company coordinated with the Rhode Island Office of Energy Resources (OER) and the Rhode Island Division of Public Utilities and Carriers (Division) in deciding to voluntarily consider procuring up to an additional 400 MW nameplate capacity of renewable energy, an amount beyond the 90 MW capacity requirement.¹⁵ Each version of the RFP also allowed the Company to procure less than 400 MW, notwithstanding the additional capacity required to be procured by the Company to meet its requirements under the Long-Term Contracting Statute.¹⁶ As part of their rationale for possibly exceeding the 90 MW cap, National Grid highlighted a State goal of reaching 1,000 MW clean energy by 2020, announced by Governor Gina Raimondo on March 1, 2017.¹⁷

¹² National Grid's Responses to PUC 1-1 and PUC 1-3; [http://www.ripuc.org/eventsactions/docket/4822-NGrid-DR-PUC1\(6.11.18\).pdf](http://www.ripuc.org/eventsactions/docket/4822-NGrid-DR-PUC1(6.11.18).pdf).

¹³ R.I. Gen. Laws §39-26.1-3(c)(1)

¹⁴ National Grid's Response to PUC 1-1.

¹⁵ National Grid's Response to PUC 1-2.

¹⁶ National Grid's Response to PUC 1-4.

¹⁷ Press Release, Governor Gina Raimondo, Raimondo Announces "1,000 by '20" Clean Energy Goal-- 1,000 megawatts of clean energy by 2020 (Mar. 1, 2017); <https://www.ri.gov/press/view/29766>.

III. Commission Findings and Analysis

A. Standard of Review

The Long-Term Contracting Standard sets out the standard of review and criteria for the solicitation method and process, as well as the standard of review and criteria the Commission must use in deciding on long-term contracts for renewable energy resulting from such solicitation.¹⁸ The Commission's standard of review for procurements that exceed the statutory obligation is also guided by the System Reliability and Least Cost Procurement statute.¹⁹ Based on its review of the law and the terms of the proposed RFP, the PUC makes the following findings.

1. The solicitation process is consistent with the Long-Term Contracting Act process requirements

The PUC must determine whether National Grid has proposed a timetable and method for solicitation and execution of the contracts that are consistent with the Long-Term Contracting Standard process requirements.²⁰ National Grid proposed that it will (1) issue the approved Amended RFP, including associated forms; (2) coordinate the receipt of bid proposals with OER

¹⁸ R.I. Gen. Laws § 39-26.1-3(b). The Commission shall approve a long-term contract for renewable energy if it determines that: (1) The contract is commercially reasonable, meaning that the terms and pricing are reasonably consistent with what an experienced power market analyst would expect to see in transactions involving newly developed renewable energy resources, the project has a credible operation date, as determined by the Commission, although a project need not have completed the requisite permitting process to be considered commercially reasonable; (2) the requirements for the annual solicitation have been met; and (3) the contract is consistent with the purposes of R.I. Gen. Laws § 39-26-1. The Long-Term Contracting Standard directs that no contract should be awarded unless its price is below the forecasted market price of energy and renewable energy certificates over the term of the proposed contract, using common industry standard forecasting methodologies as have been previously used by the Commission. In such solicitations, the electric distribution company may elect not to acquire capacity but shall acquire all environmental attributes and energy. Finally, as a condition of contract approval, the Commission must require that all approved projects, regardless of their location, provide other direct economic benefits to Rhode Island, such as job creation, increased property tax revenues, or other similar revenues, deemed substantial by the Commission. R.I. Gen. Laws §§ 39-26.1-3, 39-26.1-5(e).

¹⁹ Least cost procurement shall comprise system reliability and energy efficiency and conservation procurement as provided for in R. I. Gen. Laws § 39-1-27.7. It includes supply procurement as provided for in R.I. Gen. Laws § 39-1-27.8, as complementary but distinct activities. These activities have as a common purpose meeting electrical and natural gas energy needs in Rhode Island, in a manner that is optimally cost-effective, reliable, prudent, and environmentally responsible. R.I. Gen. Laws § 39-1-27.7.

²⁰ R.I. Gen. Law § 39-26.1-3(b).

and the Division; and (3) evaluate bids in consultation with OER and the Division. National Grid is responsible for negotiation and execution of final contracts, if any.

According to National Grid, it will issue the Amended RFP to a wide range of potentially interested parties. A bidders' conference will be held approximately three weeks after the RFP is issued. Potential bidders will have approximately three weeks from the issuance of the RFP to submit written questions. The deadline for bids would be approximately one month after the bidders' conference. The RFP contains additional timelines, allowing approximately six months for the review and conditional selection of bids for contract negotiation, approximately three months to negotiate and execute contracts, and approximately two months to submit final contracts for the Commission's approval.²¹

In their comments submitted on June 25, 2018, Weaver Wind LLC argued that the schedule bars developers, and ultimately ratepayers, from realizing the competitive pricing advantages available through the federal Production Tax Credit (PTC). Weaver Wind stated that for projects to maintain eligibility for the full value of the PTC, the schedule would have to conclude by July 31, 2019. Weaver Wind LLC proposed an alternative schedule to meet that deadline. In National Grid's reply comments, the Company made several slight modifications to the RFP schedule. At the hearing held on August 8, 2018, Division and OER's joint witness, Ellen Cool of Levitan and Associates, testified that the Amended RFP schedule reasonably allows sufficient time to analyze the bids while accommodating proposals that could receive the federal PTC.²² Ms. Cool also testified that the schedule is similar to other recent and similar procurements.²³ Based on Ms.

²¹ National Grid Filing Letter at 2-3 (Apr. 20, 2018).

²² Hr'g. Tr. at 45 (Aug. 8, 2018).

²³ *Id.* at 43.

Cool's testimony, the PUC found that the solicitation process and timetable were consistent with the Long-Term Contracting Standard.

2. The solicitation will facilitate contracts that are consistent with the purposes of the Long-Term Contracting Act

The primary purpose of the Long-Term Contracting Standard is to encourage and facilitate the creation of commercially reasonable long-term contracts between electric distribution companies and developers or sponsors of newly developed renewable energy resources. Other purposes include stabilizing long-term energy prices, enhancing environmental quality, and creating jobs in Rhode Island in the renewable energy sector. Yet another purpose is to facilitate the financing of renewable energy generation within the jurisdictional boundaries of the state or adjacent state or federal waters or provide direct economic benefit to the State.

The Commission found that the Amended RFP will enable the Company, and ultimately the Commission, to determine whether the resulting contracts are consistent with the purposes of the Long-Term Contracting Standard. The Amended RFP generally describes the price and non-price evaluation criteria and metrics that will be used to evaluate bids and inform bidders about the relative weighting between the price (80%) and non-price (20%) factors.²⁴

The Amended RFP requires bidders to provide firm pricing for energy and RECs separately and indicates that pricing for each must align with the relative market value for those products.²⁵ The required information will enable the reviewing parties to determine whether bids include pricing that is below the forecasted market price of energy and RECs over the full contract term. Because the pricing will be known over the term of the contracts, the contracts may provide a level of stability of pricing over the Long-Term.

²⁴ Amended RFP at 15.

²⁵ *Id.*

The Amended RFP will also solicit information on non-price criteria, including environmental impacts, financing, and economic benefits to Rhode Island.²⁶ This information will enable the reviewers to determine whether the bids and resulting contracts will enhance environmental quality, create jobs in Rhode Island in the renewable energy sector, and facilitate the financing of renewable energy generation within the state or adjacent waters. National Grid proposed revisions to the RFP that clarify the evaluation of price and non-price economic impacts.²⁷ These non-price criteria will also facilitate the reviewer's ability to determine whether the bids will provide other direct economic benefits to Rhode Island, such as increased tax revenues or other similar revenues.

The Amended RFP does not provide the specifics of how the individual non-price criteria will be scored. The Commission ordered National Grid to file the weighting of the evaluation criteria and scoring method for ranking bids under seal with the Commission prior to reviewing the bids.

3. The solicitation will facilitate contracts that are consistent with the policy of the state to provide fair regulation of public utilities and consistent with the policy of Least Cost Procurement

The PUC must determine whether the Amended RFP will solicit information from bidders necessary to determine whether the resulting contracts are consistent with the purposes of the policy of the state to provide just and reasonable rates and meet electrical needs in Rhode Island in a manner that is optimally cost-effective, reliable, prudent, and environmentally responsible.

²⁶ *Id.* at 16.

²⁷ *See* Section 2.3.1, Grid's revised RFP at 16. National Grid Response to RR-3.

a. The solicitation is designed to lead to contracts that are consistent with the purposes of the Long-Term Contracting Standard

The RFP filed by National Grid on April 20, 2018, included a minimum contract size of 20 MW. In response to comments filed jointly by the OER and Division, National Grid filed the Amended RFP that included a minimum contract size of 20 MW and a maximum contract size of 200 MW. Ms. Cool testified that the selection of multiple smaller projects may offer a greater likelihood that some projects will actually be developed. Selecting a single 400 MW project may present a greater risk that no new renewable energy will be developed.²⁸ While nothing would prevent National Grid from selecting multiple, smaller projects, Ms. Cool testified that, without a maximum contract size, there may be no bids smaller 400 MW. Ms. Cool also testified that an RFP designed to solicit conforming bids capped at 200 MW and also provide an option for bidders to submit non-conforming bids up to 400 MW would provide more optionality.²⁹

The Commission found that the Amended RFP should allow for conforming and non-conforming bids to preserve flexibility and optionality. Allowing for conforming and non-conforming bids will facilitate the determination of whether the resulting contracts are optimally cost-effective, reliable, and prudent. All bidders should be required to file conforming bids.

b. Contracts entered into under the Amended RFP will be evaluated under the Least Cost Procurement Plan and PUC Guidance on the Goals, Principles and Values for Matters Involving the Narragansett Electric Company d/b/a National Grid

While the Long-Term Contracting Standard defines the purpose of procuring up to 90 MW of renewable capacity and requirements for contracts, the Commission's review of procurements that exceed the statutory capacity will be guided by other authorities, including the Goals for the Electric System and the Benefit-Cost Framework adopted in the Commission's Guidance on

²⁸ Hr'g Tr. at 52 (Aug. 8, 2018).

²⁹ *Id.* at 54.

Goals, Principles and Values for Matters Involving the Narragansett Electric Company d/b/a National Grid (Guidance Document).³⁰ The Commission will also consider the rate design principles adopted in the Guidance Document to the extent applicable.

The Benefit Cost Framework includes thirty-four categories of costs and benefits and fifty-three different drivers of costs or benefits. Consideration of the Benefit Cost Framework will provide the Commission with a wide range of quantitative and qualitative factors describing the impact of the procurements on the power system, customers, and society. Ms. Cool testified that there are cost/benefit categories that apply to the procurements anticipated by the RFP and she provided an analysis of those categories.³¹

The Commission finds that contemporaneous with the filing of any contracts under the approved RFP, the Company shall present a quantitative and qualitative business case that describes why the proposed investments are preferred over alternatives to advancing the goals for the energy system. At a minimum, the business case should include: a) an explanation for the timing of the proposed procurement; b) an explanation for the size of the proposed procurement; and c) a consideration and comparison of alternatives to meeting the Goals for the Energy System as well as and Governor Raimondo's clean energy and clean energy jobs goals. Alternatives considered should include, but not be limited to, purchase of existing Renewable Energy Credits, energy efficiency, the Renewable Energy Growth Program, and net metering. The business case should be as transparent, complete, well documented, and accompanied by prefiled testimony.

Accordingly, it is hereby

(23460) ORDERED:

³⁰ Guidance Document; <http://www.ripuc.org/eventsactions/docket/4600A-GuidanceDocument-Final-Clean.pdf>; http://www.ripuc.org/eventsactions/docket/4600-WGReport_4-5-17.pdf (Benefit Cost Framework).

³¹ Hr'g Tr. at 27-30 (Aug. 8, 2018).

1. The Narragansett Electric Company d/b/a National Grid revised Amended Request for Proposals filed on August 31, 2018, which included the addition of an allowance for conforming and non-conforming bids and the requirement that all bidders must submit a conforming bid, is hereby approved.
2. The Narragansett Electric Company d/b/a National Grid shall file the weighting of criteria and scoring method for ranking bids under seal with the Public Utilities Commission prior to reviewing the responses to the Request for Proposals.
3. The Narragansett Electric Company d/b/a National Grid shall comply with all other instructions contained herein.

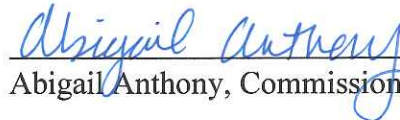
EFFECTIVE AT WARWICK, RHODE ISLAND, ON SEPTEMBER 6, 2018, PURSUANT TO OPEN MEETING DECISIONS ON AUGUST 27, 2018, AND SEPTEMBER 6, 2018.
WRITTEN ORDER ISSUED MARCH 12, 2019.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson

*Marion S. Gold, Commissioner



Abigail Anthony, Commissioner



*Commissioner Gold concurs with the decision but is unavailable for signature.

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.