

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

IN RE: SOLICITATIONS OF LONG-TERM) CONTRACTS FOR RENEWABLE ENERGY) AND RENEWABLE ENERGY CERTIFICATES) (RECS), PURSUANT TO R.I. GEN. LAWS) §39-26.1-1 ET SEQ.)	Docket 4822
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**VINEYARD WIND LLC
COMMENTS**

On February 5, 2018, Governor Gina Raimondo announced a 400 MW renewable energy procurement. This announcement supports the state’s goal of deploying one gigawatt of renewable energy by the end of 2020, and puts Rhode Island on track to meeting a significant portion of its electricity needs with local, renewable energy sources. Governor Raimondo’s leadership on renewable energy and climate change issues is to be applauded. Rhode Island stands to benefit significantly from the deployment of renewable energy resources in-state and offshore by reducing reliance on out-of-state fossil energy resources and investing more of Rhode Island’s energy dollars in the local economy and workforce.

At the outset, the draft Request for Proposals for Long-Term Contracts for Renewable Energy (“RFP”) filed by the Company on April 20, 2018, should be evaluated in terms of its ability to facilitate the state’s broader renewable energy goals, combat climate change, and fulfill Governor Raimondo’s commitment to create a sustainable energy economy in Rhode Island. The purpose of Rhode Island’s long term contracting statute 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 with the goals of stabilizing long-term energy prices, enhancing environmental quality, creating jobs in Rhode Island in the renewable

energy sector, and facilitating the financing of renewable energy generation within the jurisdictional boundaries of the state or adjacent state or federal waters or providing direct economic benefit to the state.” Where the draft RFP frustrates Rhode Island’s goals, the Public Utilities Commission (Commission) should make appropriate changes. With that in mind, Vineyard Wind LLC offers the following comments.

1) Eligibility: Please define what level of control is required for project eligibility. For example, does this criterion require site control for all elements of the project development (energy field, interconnection easements, substations, etc.) at the time of application? Renewable energy projects of this size must be planned in stages based on a series of contingencies. To require all elements of a 20MW project or more to be finalized before the project’s off-taker is resolved is infeasible and strongly discourages market participation. The requirement to post a bid bond ensures that bids will be made in good faith expectation of project fulfillment. Additional stringent preconditions are unnecessary and undermine the goals of the long term contracting statute to facilitate commercially reasonable long-term contracts, stabilize long-term energy prices, enhance environmental quality, create jobs in the renewable energy sector, and facilitate the financing of renewable energy generation providing direct economic benefit to the state. R.I. Gen. Laws § 39-26.1-1. This is not to say that some level of site control requirements is not warranted, but rather that such a requirement consider the development process of each eligible technology, and balance testing for project viability against encouraging bidding at an appropriate stage of project development, and different types of site control needed by a project. For example, we would agree that offshore wind bidders should be required to have an offshore wind generation area lease, given uncertainties around acquiring one. But requiring offshore wind developers to have all other easements and onshore site

control would not be appropriate, given the many different paths to acquiring necessary easements and other on-shore sites needed to support the project.

2) Term: The draft request for proposal (RFP) indicates a term of 10 to 15 years but states that the Commission may extend the term upon an applicants demonstration of economic benefit from a longer term. The market clearly indicates that any project of more than 20 megawatts in size will need more than a 15-year contract term to provide economically viable pricing. Vineyard Wind asks that the Commission extend the term on all contracts to 25 years to enhance project viability and the competitive market. The 10-15 year PPA term is out of step with the long life of renewable energy technologies including solar panels that have warranties for at least 20 years and a useful life of 25-30 years. For offshore wind, the turbines can last 30 years. In addition, financing a 10-15 year PPA will be difficult and increase costs, cutting against the requirement for “commercially reasonable” energy prices. In it’s recent offshore wind RFP, Massachusetts offered a 20-year contract for offshore wind.

3) Form of contract: the RFP references a contract form that will be attached upon release. That form will contain the specific terms that govern the applicant’s sale of electricity and renewable energy credits (RECs). Vineyard Wind requests distribution of that contract form in this proceeding so that any preliminary concerns can be addressed with the Commission before applicants are bound to it through their application. The parties deserve the opportunity to review and comment on the contract terms to ensure they are reasonable and financeable.

3) Price: The proposed price structure, limiting eligibility to pricing that is below the forecasted market for energy and RECs, prohibits vibrant market competition and neglects the value analysis that the Commission requires per Docket 4600. Rhode Island’s long-term contracting statute

requires these projects to be “commercially reasonable.” The regulations state that “commercially reasonable” means reasonably consistent with what an experienced power market analyst would expect to see in transactions involving newly developed renewable energy resources. The Commission ultimately determines whether a project is commercially reasonable. The Commission must do so in light of the goals of Rhode Island’s long term contracting statute to facilitate commercially reasonable long-term contracts, stabilize long-term energy prices, enhance environmental quality, create jobs in the renewable energy sector, and facilitate the financing of renewable energy generation providing direct economic benefit to the state. R.I. Gen. Laws § 39-26.1-1.

The Commission designed its Docket 4600 process, “In re: Investigation into the Changing Electric Distribution System and the Modernization of Rates in Light of the Changing Distribution System,” to help analyze whether proposed programs/projects are commercially reasonable. That process was run by experienced power market analysts and built recommendations from stakeholders with extensive market experience. In its final order, the Commission adopted stakeholder recommendations into a guidance document for proceedings like this.¹ One unanimously approved goal is to “[a]ppropriately compensate distributed energy resources for the value they provide to the electricity system, customers, and society.” The rate design principals included: 1) ensure that all parties should provide fair compensation for value and services received and should receive fair compensation for value and benefits delivered; 2) ensure consistency with policy goals (e.g. environmental, climate (Resilient Rhode Island Act), energy diversity, competition, innovation, power/data security, least cost procurement, etc.); and 3) evaluate rate structures based on whether

¹ Order No. 22851 (In re: Investigation into the Changing Distribution System and the Modernization of Rates in Light of the Changing Distribution System) (July 31, 2017).

they encourage or discourage appropriate investments that enable the evolution of the future energy system.

Docket 4600 also resulted in a benefit cost framework that the Commission applies to “provide the basis for qualitative assessments of proposals.” That framework includes consideration of a list of factors used to properly evaluate costs and benefits to ratepayers, the distribution system and society. The Docket 4600 guidance indicates that any proponent of a rate, rate design, or program proposal with associated cost recovery will need to meet the Docket 4600 standards.

The proposal to require pricing that is below forecasted market pricing neglects broad categories of benefits that may make proposed projects commercially reasonable. The only such value that is referenced in the proposed RFP is that the Company “plans to use a price forecast that will incorporate the effects of future federal or state regulation of carbon dioxide emissions on relevant energy prices.” (p. 14). That single criterion (beyond market competitiveness) contrasts starkly with the docket 4600 cost benefit framework which lays out 23 categories of power system level impacts, 5 categories of customer level impacts and 8 categories of societal level impact. The docket 4600 framework does include consideration of power system level impact of greenhouse gas compliance costs, societal level impacts of greenhouse gas externality costs, and public health costs - but the framework goes much further than that. All of the framework factors are designed to indicate net economic impact and result in best value procurement decisions. They are, therefore, directly aligned with the statutory standard to be applied here, commercial reasonableness.

The economic development component of Rhode Island’s state guide plan addresses energy infrastructure as follows: “Rhode Island currently spends approximately \$3.6 billion annually on electric, thermal, and transportation energy needs. Because the state is virtually entirely dependent on imported fossil fuels such as natural gas and petroleum products, the vast majority of this expenditure

exits Rhode Island's economy, representing a multi-billion dollar drain on local consumers, businesses, and industry.” (p. 104) Unreasonable price terms in this RFP inhibit market capacity and threaten the success of this 400MW procurement and Rhode Island's broader policies including the Governor's goal of 1GW of clean energy by 2020 and meeting Rhode Island's climate mandates. Any inability to fulfill this procurement goal will result in a default to existing sources of electricity that disadvantage our economy and are not “commercially reasonable.” The resolution to require pricing below market forecasts will suppress participation and competition and thereby effectively undermine the purposes of the long-term contracting statute. It is time to honor docket 4600 by giving appropriate consideration to the real costs and benefits of these projects, rather than restricting their valuation to sub-market pricing.

If the Commission decides to approve market forecast price restrictions, the forecast should be generated with the RFP so that bidders have the capacity to rebut it and/or to target their bid toward a transparent price restriction.

4) Renewable energy credit value: In Vineyard Wind's experience, regionally focused utility consultants tend to project REC pricing significantly above the national, “name brand” consultants that most financiers will use. High price projections create market volatility risk for developers, including the possibility of policy change that undermines REC values, thereby requiring the developers to bid higher. Vineyard Wind asks the Commission to ensure recognition of the wider consensus view of projected REC prices. Vineyard Wind also requests that the utility produce a REC price curve that has been reviewed and approved by the PUC with the request for proposals so that the bidders understand and can respond to the accuracy of the proposed REC price projections .

5) Credible Project Operation Date: The requirement to commit to a financing and construction schedule that has only 90 days of flexibility at the bidding stage of this process will

make bidding impractical for many development projects and, therefore, reduce the level of competition, possibly impairing the capacity to meet program goals and/or resulting in inflated pricing. While we understand that this is a regulatory definition at this time, Vineyard Wind submits that greater schedule flexibility will enhance market participation to Rhode Island's benefit.

6) Substantial economic benefit to Rhode Island: Vineyard Wind supports this criterion, which is another element of the Docket 4600 value analysis. The RFP should be transparent about how much each specific factor will count toward the final selection. Transparency regarding the weighting of selection criteria ensures an equitable playing field and enables better bidding.

7) Interconnection and ISO review time: The RFP should allow applicant delays for interconnection and ISO process obstructions that are beyond the developer's control.

8) Bid bond: It is not clear whether the bond is refunded or credited toward the cost of interconnecting a project that is selected for program participation.

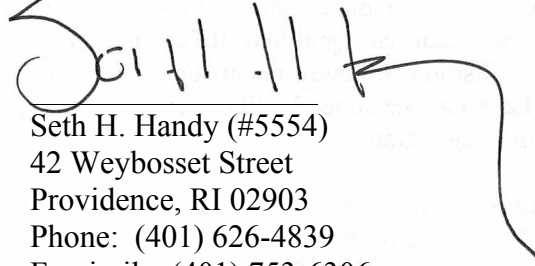
As a general matter, Vineyard Wind asks the Commission to ensure that the terms for this RFP encourage the highest possible level of open market competition, having the impact of restricting market access only as absolutely essential to ensure program integrity. Such an approach meets the purposes of the long-term contracting statute and provides the best value for Rhode Island. Vineyard Wind asks that the Commission or some other independent entity share oversight of the administration of these bid selection criteria to ensure that the goals of Docket 4600 and Rhode Island

policy are met. Thank you for your attention to these concerns.

VINEYARD WIND LLC

By its attorneys,

HANDY LAW, LLC

A handwritten signature in black ink, appearing to read "Seth H. Handy", is written over a light gray rectangular background. The signature is stylized and includes a long horizontal stroke extending to the right.

Seth H. Handy (#5554)
42 Weybosset Street
Providence, RI 02903
Phone: (401) 626-4839
Facsimile: (401) 753-6306
seth@handylawllc.com