

February 6, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 3765 – Renewable Energy Standard Procurement Plan
Rebuttal Testimony of Ronald T. Gerwatowski and Michael J. Hager**

Dear Ms. Massaro:

On behalf of National Grid¹, enclosed please find ten (10) copies of rebuttal testimony of Ronald T. Gerwatowski and Michael J. Hager in the above-captioned proceeding.

Thank you for your attention to this matter. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket 3765 Service List

¹ The Narragansett Electric Company, d/b/a National Grid

REBUTTAL TESTIMONY
OF
RONALD T. GERWATOWSKI

February 6, 2007

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1 **I. Introduction**

2 Q. Please state your full name and business address.

3 A. My name is Ronald T. Gerwatowski and my business address is 55 Bearfoot Road,
4 Northborough, Massachusetts, 01532.

5

6 Q. Please state your position.

7 A. I am Vice President of Distribution Regulatory Services for National Grid (“the
8 Company”) in New England. In my capacity as Vice President, I am responsible for
9 the Company’s distribution rates and regulatory support group, which we refer to as
10 the Distribution Regulatory Services Department. This Department, for which I have
11 supervisory responsibility, provides rate-related support not only to The Narragansett
12 Electric Company, but also to the other National Grid retail distribution companies in
13 Massachusetts and New Hampshire.

14

15 Q. Please describe your educational background.

16 A. I graduated from Westfield State College in 1978. I also attended the University of
17 Puerto Rico for one year in 1976-77. I received a Masters of Education degree from
18 Fitchburg State College in 1982. I then went to law school and received a Juris
19 Doctor, magna cum laude, from Boston College Law School in 1985, where I served
20 on the Law Review.

21

1 Q. Please describe your professional experience.

2 A. Before going to law school, I was a public school teacher in the Springfield,
3 Massachusetts school system. After graduating from law school, I was an associate at
4 the Boston law firm of Testa, Hurwitz & Thibealt in 1985 and 1986. I left the firm
5 and joined the legal department of New England Electric System (“NEES”) in 1987,
6 the predecessor to National Grid USA. In 1990, I was regulatory counsel for
7 Narragansett, where I practiced before the Rhode Island Public Utilities Commission
8 (“Commission”) until mid-1994. At that time, I returned to the corporate
9 headquarters for NEES and worked in the legal department on fuel-related regulatory
10 matters pertaining to the generation plants that were owned by NEES at the time. In
11 1998, after industry restructuring in Rhode Island, I returned to Narragansett as
12 General Counsel and continued in that position until the spring of 2002. I then
13 became General Counsel of Niagara Mohawk Power Corporation in Syracuse, New
14 York, after National Grid USA acquired Niagara Mohawk. I served in that capacity
15 until May 1, 2005, when I took my current position as Vice President of Distribution
16 Regulatory Services in New England.

17

18 **II. Experience with Long Term Power Purchase Issues**

19 Q. Do you have any experience regarding long term contracting and bidding
20 processes relating to regulated and unregulated power purchasers and sellers?

21 A. Yes. I started working for the Company in the legal department in 1987. In the

1 late 1980s and early 1990s, this was a time in the industry where there was a
2 significant regulatory and political mandate for the development of unregulated
3 generators identified as Qualifying Facilities (“QFs”) under the Public Utilities
4 Regulatory Policy Act, known as “PURPA.” There was a significant amount of
5 regulatory activity, including agency-mandated bidding processes, and long term
6 fixed price contracting that took place at that time. It was my responsibility to assist
7 in the drafting of RFPs and power purchase contracts for the NEES companies.
8 NEES was the predecessor to National Grid.

9

10 I also was involved in the evaluation of bids and the negotiation of long term power
11 purchase agreements, many of which were executed by NEES affiliates. It is striking
12 how many similarities there are between that period when public policy sought to
13 encourage the development of QF projects with the events of today where there is
14 public policy support for the development of renewables projects.

15

16 Q. Did you have any experience on the unregulated side of the business?

17 A. At the same time in the late 1980s, NEES had an unregulated subsidiary, NEES
18 Energy, that was engaged in the business of developing QF projects in the service
19 territories of other regulated utilities in New England. I provided legal advice for
20 that entity as well and worked on proposals that were submitted to utilities not
21 affiliated with NEES.

1 Q. Does National Grid have any old QF contracts still in effect today from that
2 period?

3 A. Yes. The NEES companies had numerous QF power purchase agreements, the
4 vast majority of which ended up producing above-market pricing and were calculated
5 as part of the stranded cost recovery for the NEES companies at the time of industry
6 restructuring. Customers of the old NEES companies, now National Grid, are still
7 paying for some of the estimated and actual above-market costs incurred under the
8 long term contracts from that period of time.

9

10 **III. Purpose of Testimony**

11 Q. What is the purpose of your testimony?

12 A. The purpose of my testimony is multi-faceted. It is to:

13 (1) Explain the Company's understanding of the regulations, as it relates to long term
14 contracting;

15 (2) Describe the recent actions of the legislature in 2006 that impact the activities of
16 renewables procurement, that took place after the Commission adopted its Rules
17 and Regulations Governing the Implementation of a Renewable Energy Standard
18 ("RES Regulations");

19 (3) Discuss the concerns the Company has about the speculative nature of long term
20 contracting at this time, when the market is undeveloped and there are no reliable
21 forecasts;

- 1 (4) Explain the Company's view of the statutory constraints that should guide the
2 Commission relating to the statutory intent that commitments made for
3 renewables be prudent;
- 4 (5) Discuss the dilemmas caused by trying to encourage development, while at the
5 same time assuring that customers do not overpay for renewables in the future;
- 6 (6) Describe the incompatibility of long term contracting with retail choice, where
7 customers can leave standard offer service and last resort service, as the
8 commodity rates rise when costs of excess renewable purchases are added to it;
- 9 (7) Describe some other general concerns the Company has with the risks of long
10 term contracts;
- 11 (8) Describe some of the similarities between the old QF contracting and regulatory
12 policy today relating to renewables development; and
- 13 (9) Offer a solution to furthering the goals of the statutory scheme to encourage
14 development of renewables, while at the same time minimizing the risks to
15 customers. This entails a suggestion that Rhode Island consider adopting a state
16 agency model similar to the one employed in New York, but using the Economic
17 Development Corporation ("EDC") as the agency, as allowed by the statutory
18 scheme, to facilitate long term contracting.

19 In sum, the Company recommends that its procurement plan, as proposed, be adopted
20 for 2007. However, consistent with the suggestions of both Cape Wind and
21 Bluewater Wind, the Commission should allow a working group consisting of the

1 intervenors in this docket, the EDC, and the Division, to attempt to explore a creative
2 solution to the issue of long term contracting, utilizing the state agency model
3 described in my testimony below.

4

5 **IV. The RES Regulations' Limits on Long Term Contracts**

6 Q. Does the Company agree with the position that the Commission's RES Regulations
7 require long term contracts to be a part of the procurement plan for procurements
8 during the standard offer period through 2009?

9 A. No. While the regulations clearly contemplate long term contracts to be a part of a
10 portfolio after the initial standard offer period is over at the end of 2009, the
11 regulations also contemplate that the Company would not enter into any such
12 agreements before that time. Section 8.5 of the RES Regulations addresses
13 procurement during the standard offer period through 2009. Section 8.5(ii)
14 establishes that the Company is authorized to purchase renewable resources and
15 certificates for periods I and II. There is no requirement in the regulations for
16 National Grid to make purchases for period III before 2010. Section 8.5(iii) states
17 that any bids for period III are to be made available for others to consider. But there is
18 no mandate for the Company to enter into the long term deal by itself, as set forth in
19 subparagraph (ii). Based on this language, we disagree with the position that the RES
20 Regulations necessarily require this particular procurement plan to include long term
21 contracts.

1 Q. What about the language in the first sentence of Section 8.3 that states: “The
2 Renewable Energy Procurement Plan shall contain the Obligated Distribution
3 Company’s procedure for procuring its target percentage of Eligible Renewable
4 Energy Resources for each Electrical Energy Product offered to End-use Customers,
5 including long term contracts which shall be made part of the Obligated Distribution
6 Company’s portfolio for procuring its target percentage of Eligible Renewable
7 Energy Resources for each Electrical Energy Product offered to End-use Customers?”

8 A. When this language was proposed in the administrative proceedings adopting the
9 RES Regulations, the Company was concerned that such general language would
10 disrupt the compromise that had been reached in the working group to postpone any
11 long term contracting until after 2009. The Commission did adopt the general
12 language in Section 8.3. However, the Commission also retained the more-specific
13 compromise language included in Section 8.5 as it relates to procurement during the
14 current standard offer period. Thus, the Company believes that during the current
15 standard offer period, the RES Regulations do not require the Obligated Distribution
16 Company to enter into contracts for Period III. Rather, the language of the
17 regulations establishes that the Company’s only obligation regarding Period III is to
18 facilitate the purchase of Period III certificates by third parties.

19

20

21

1 **V. Intervening Events of 2006 Energy Act**

2 Q. Have there been any intervening legislative actions that need to be taken into
3 account when considering the length of contracts?

4 A. Yes. There were two actions reflected in the passage of the “The Comprehensive
5 Energy Conservation, Efficiency and Affordability Act of 2006” (“2006 Act”). First,
6 the 2006 Act contains amendments to the standard offer section of the law that creates
7 a new phase of standard offer service beginning in 2010. As a part of the 2006 Act,
8 R.I.G.L. § 39-1-27.8 requires the Company to file a comprehensive supply
9 procurement plan by March 2009. At that time, the development of a comprehensive
10 procurement strategy will be put before the Commission. The Commission’s
11 renewable energy regulations pre-dated this legislative action.

12

13 Q. What is the second?

14 A. The 2006 Act also contains provisions that provide for “least cost procurement,” as
15 provided in R.I.G.L. § 39-1-27.7. The provisions provide general guidelines, but do
16 not fill in any details about how least cost procurement will work. Instead, the
17 General Assembly left the task to the Commission to open a rulemaking to develop
18 the standards.

19

20 Q. What is the effect of the least cost procurement section of the law?

21 A. It is not entirely clear. But the overall purpose is to have Rhode Island “procure”

1 more energy efficiency to displace power usage, more demand response activity, and
2 renewables resources. The law also seems to contemplate establishing some
3 standards and guidelines for encouraging cost-effective distributed generation.
4

5 Q. What about renewables procurement?

6 A. The language actually says that the standards and guidelines should address
7 “procurement of energy supply from diverse sources, including but not limited to,
8 renewable energy resources.” Given that language, renewables procurement is
9 presumably affected in some way. But, admittedly, it is not clear at all what this
10 means. We will only know after the Commission opens a rulemaking and establishes
11 the standards, which is required to occur by June 1, 2008. The looming presence of
12 least cost procurement and new standard offer provisions of the law is another reason
13 why the Commission should hesitate to require procurement of renewables in this
14 year’s plan that goes beyond 2009.
15

16 **VI. The Speculative Nature of Long Term Contracting without a Reliable Forecast**

17 Q. Hypothetically speaking, if the regulations did permit long term contracts without
18 restriction to periods, what is the Company’s position for this procurement plan?

19 A. There are currently no viable standards to employ in order to evaluate long term bids
20 through 2017 or beyond. More specifically, there is no reasonable way today to
21 evaluate whether a price offered for 2012 through 2017 would be lower than if the

1 Company waited to a time closer to that period. To suggest otherwise is pure
2 speculation. As Mr. Duffy of Cape Wind, a proponent of long term contracts, states
3 in his testimony:

4 “As the Legislature was well aware, the New England renewable industry is in
5 its infancy, such that there are relatively few new projects in the region that
6 are sufficiently developed so as to be able to make long term commitments at
7 this time.”

8 While I do not agree with everything contained in Mr. Duffy’s testimony, I certainly
9 agree with his observation that the industry is in its infancy. There is no reliable,
10 objective information that the Company can use to determine whether any offer from
11 any proposed or actual project for the years 2012 and beyond is lower or higher than
12 what the costs are likely to be at that time for market purchases. Any such contract
13 would be premised on pure speculation about what markets might be like in the
14 future. Thus, entering into a long term contract without the reliable forecast of
15 market prices can never be a meaningful part of a dollar-cost averaging plan.

16

17 **VII. Definition of a “Long Term” Contract**

18 Q. How is a “long term contract” defined in the regulations?

19 A. The term is not defined in the regulations. The Commission deliberately left the
20 definition of “long term contract” undefined. For purposes of examining the
21 procurement choices in a given year, the definition of what complies with a long term

1 contracting obligation can vary, depending upon the state of the market. Given the
2 state of the undeveloped market today, the Commission should be careful to limit the
3 length of long term contracts to arrangements that do not venture into the realm of
4 speculation.

5

6 Q. How does the Company define long term, medium term, and short term in the context
7 of fixed price contracts?

8 A. As described in the rebuttal testimony of Mr. Hager, the Company would define them
9 as follows:

10 Short term: Within one year

11 Medium term: From 1 to 3 years.

12 Long term: 4 years or more.

13 The Company believes that long term contracts with terms in the range of 3 to 5 years
14 are the natural limit in an undeveloped market. However, when the contract term
15 exceeds 5 years, we enter the realm of economic speculation. In fact, the Company
16 believes that any REC contract with a term of 10 years or longer is speculative in
17 nature at this early stage of market development. For that reason, the Company
18 firmly believes that anything longer than 5 years exceeds the threshold of speculation
19 that a prudent purchasing plan should not cross. Nevertheless, if the Commission
20 were to conclude that a long term contract should be a part of the portfolio mix for

1 this round of procurements, it should not authorize anything longer than 5 years at
2 this time. And from the Company's perspective, even 5 years is a stretch.

3

4 **VIII. The Statutory Constraints of Prudence**

5 Q. Are there any statutory constraints on what purchases should be made for renewables
6 resources?

7 A. Yes. The law establishes a prudence standard for purchases by the Company in
8 R.I.G.L. § 39-26-5(b). This is quite different than statutory provisions with specific,
9 unconditioned mandates. The prudence standard is a well-established one in the
10 industry. Applying that standard here, the decision to incur a long term payment
11 commitment must meet a reasonable economic test to determine whether it is
12 reasonably likely, given all the information available today, to be a lower cost choice
13 than others available. If there is no reliable evidence that the choice will be lower
14 cost, when compared to other available choices, then it is highly questionable that the
15 choice would be "prudent," absent other compelling factors. The prudence
16 requirement, in that respect, does not typically permit choices based on pure
17 speculation.

18

19 Q. How does the prudence standard impact decision-making at this time?

20 A. By definition, a fair application of the prudence standard would typically rule out
21 entering into agreements based on mere speculation and guessing that the cost

1 “might” be lower. In this case, there is no reliable forecast available. In addition, the
2 Company is hard-pressed to determine how a forecast could be created that would
3 provide a reasonably reliable basis for making a decision with long term implications
4 beyond 3 to 5 years. This is especially true where the statutory scheme places a cap
5 on the cost of renewable compliance through the ACP payments. This is not a
6 situation where the Company needs to act quickly to create a hedge in order to avoid
7 a virtually limitless run-up in the cost of renewable certificates. The statutory scheme
8 allows for more well-considered decision making by capping the exposure.

9

10 Q. What if the Commission were to order the Company to enter into a contract or the
11 Commission approves a specific long term contract?

12 A. From the Company’s perspective, the Commission’s order would provide the
13 necessary legal protection against a claim that seeks to deny cost recovery after-the-
14 fact. However, the point I am making is that the Commission should not approve a
15 speculative contract in the first place. If the Commission approves the contract, the
16 Company is protected. But such approval does not protect the Company’s customers
17 from the risks and effects that speculative cost incurrence creates.

18

19 **IX. Issues Relating to Projects in Early Stages of Development**

20 Q. Should the bidding process be open to developers who have not yet permitted their
21 projects to submit long term bids?

1 A. No. We believe that any bidding process for long term commitments should require
2 that the project submitting a bid be either fully permitted or very close to being fully
3 permitted.

4

5 Q. Why?

6 A. To the extent the rules of the bidding process allow projects not yet permitted to bid,
7 the bidding exercise can be detrimental to achieving the goals of the renewables plan.
8 Unless a project is backed by financially strong developers with solid backgrounds
9 who are far along in permitting, the long term contract has a high likelihood of
10 failing. This is particularly likely if the pricing promised two or three years before
11 permitting or financing actually occurs turns out to be “below market.” Contracts of
12 this type become a “no win” proposition for customers. If the price is above market,
13 the project gets built and the developer holds the company to the contract. However,
14 if the price is below market, the likelihood of the developer being able to obtain
15 project financing is diminished and the developer is likely to walk away.
16 Developers with projects not yet permitted and not well-developed will have a
17 difficult time predicting their actual costs two or three years in advance of financing.
18 This risk is typically mitigated for the developer by a financing condition in the
19 contract, where the developer can terminate the contract if financing cannot be
20 obtained. Thus, some developers can prepare a low price bid in the hope that the
21 project costs will be low. If the guess at the costs turns out wrong, the developer

1 walks away. Moreover, from the developer's perspective, it presents little risk to try
2 to obtain a fixed price contract award and worry about whether it actually can be
3 performed later. It enables developers to figure out what the rules are for obtaining
4 the winning bid. Following the rules, they can place a bid that maximizes the chance
5 of winning, even if the project is not close to being real and the costs are far from
6 certain. This type of bidding disadvantages the projects that are further along in
7 development and inappropriately rewards speculative projects.

8

9 **X. The Dilemma of Strong Security Provisions**

10 Q. What about placing security provisions and damages clauses for failure to perform, as
11 the Division has suggested in its response to a Company data request NGRID 1-13?

12 A. It likely would eliminate or reduce this type of bidding behavior. However, it appears
13 that renewables developers are very concerned about such provisions. The testimony
14 of Mr. Duffy on page 6, commenting on the Company's commercial terms, illustrates
15 the dilemma:

16 "The remedies for default . . . and security provisions . . . also seem more
17 appropriate to shorter term transactions between market traders than for
18 encouraging development stage investment. For example, the measure of a
19 seller's damages would be the delta between the Alternate Compliance
20 Payment over the contract price multiplied by the entire sales volume over the
21 full term of the contract. For developers without investment grade credit,

1 Section 6.3 would require the posting of cash-equivalent security for the
2 entirety of such amount. Such terms would seem to be overly burdensome for
3 development stage projects, few of which will have investment grade credit,
4 especially when applied to the volumes associated with longer term
5 transactions.”

6 It is not clear whether Mr. Duffy would find security provisions covering a lesser
7 amount acceptable and to what degree the damages provisions would have to be
8 watered down so as not to discourage “development stage investment.” But this
9 presents a difficult issue that cannot be adequately resolved in this docket in the
10 timeframe allowed.

11

12 Q. So what is the significance of this dilemma?

13 A. It begs the question of the purpose of the long term contract. Is the long term
14 contracting plan designed to employ a dollar cost averaging approach, as suggested
15 by the Division’s witness on page 6? Or is it to encourage “development stage
16 investment”, as Mr. Duffy suggests? If anyone suggests that the answer needs to be
17 “both”, then the bidding process would have to be designed to go in two directions at
18 once. But you cannot go in both directions at once and reach a coherent result.

19 Either the process is designed to encourage developers without investment grade
20 ratings to submit bids, with no reasonable assurance that the project will come to

21 fruition, or it is designed to “lock in” a dollar-cost average rate for the future. But if

1 the developer can walk away without material consequence when the economics from
2 his or her perspective become bad, the contract locks in nothing. As I will describe
3 later in my testimony, the state model solution would avoid this problem.

4

5 **XI. The Incompatibility of Long Term Contracts and Retail Choice**

6 Q. Are there any other reasons why the Commission should be cautious at this time
7 about requiring long term contracts longer than a few years in length?

8 A. Yes. It relates to the effects of retail choice. Entering into very long term contracts
9 and the concept of unrestricted retail choice are incompatible. This is because
10 customers have the ability to leave standard offer and last resort service at any time.
11 This potential migration effect must be given serious consideration.

12

13 Q. Can you explain this further?

14 A. Yes. Let me start with some background. During the current standard offer period,
15 the price for standard offer service, despite its increases, has tended to be lower than
16 the market price of electricity that can be offered by suppliers. For that reason, the
17 Company has not seen a lot of market activity, except for those customers who left
18 the standard offer in the early years of retail choice. We would expect that, when the
19 initial period ends after 2009, the price for standard offer service is likely to be a lot
20 closer to what marketers will be able to offer customers. Thus, at least with regard to
21 the medium to large commercial and industrial (“C&I”) classes, we would expect a

1 lot more market activity in Rhode Island and potential migration off standard offer
2 service to suppliers.

3
4 Q. Don't the suppliers also have a renewable purchase obligation?

5 A. Yes, they do. To the extent that suppliers are purchasing their requirements at a cost
6 that is close to the cost per kWh being incurred by the Company, the renewable
7 requirement would have no material affect on the market. But that changes to the
8 extent there is a difference in cost that becomes significant.

9
10 Q. What is the effect?

11 A. To the extent the Company's costs are higher, it would likely lead to a migration of
12 C&I customers off the standard offer and last resort service rates.

13
14 Q. Why is this relevant to this renewables docket?

15 A. This is important when considering the consequences of long term contracting, where
16 the costs of those long term contracts are assessed only on the customers who remain
17 on standard offer and last resort service. Mr. Hager discusses this in his testimony as
18 well. As the rate for standard offer service rises above the prices for commodity that
19 suppliers are offering customers, there is no doubt that many C&I customers will
20 leave. On the other hand, if the costs of the long term contracts in excess of the RES

1 obligation are spread uniformly to all customers, regardless of their supply
2 arrangements, then this effect is avoided.

3
4 Q. Can you give a concrete example?

5 A. Yes. Let's assume that in year 2012, that the Company's costs for renewables
6 compliance is higher than the cost that suppliers may be incurring because the
7 Company has some long term contracts that are above market, while some suppliers
8 are simply buying their requirements in the lower short term market of that time.
9 Today, 47% of all kilowatt-hours consumed by standard offer and last resort service
10 customers in the Company's service territory is from medium to large C&I
11 customers. I believe that it is fair to assume that as soon as the standard offer rate is
12 higher than what can be provided in the market by suppliers, we will quickly lose a
13 lot of the C&I customer load to the market. Once we start losing those customers, we
14 end up with an under-recovery of costs. After the first year of this phenomenon, the
15 situation gets worse.

16

17 Q. Why does it get worse after the first year?

18 A. After the first year, the Company essentially retains its original above market annual
19 cost commitment that needs to be recovered from customers, but it is now spread over
20 a smaller base of kilowatt-hours. In turn, we have an under recovery caused by the
21 migration in the first year. As a result, we take a high average cost and add the under

1 recovery to that higher average cost per kilowatt-hour. This results in a renewables
2 charge that is even higher than the previous year. Meanwhile, suppliers continuing to
3 meet their compliance requirements in the short term market retain lower costs that
4 are added to their commodity offers. This, in turn, will lead to a more rapid migration
5 of C&I customers from the standard offer, as the differential becomes greater.

6

7 Q. Do you have an exhibit to illustrate this?

8 A. Yes. Attached to my testimony as Attachment RTG-1 is a simplified schedule that
9 illustrates this type of effect. It assumes that half the medium to large C&I load
10 leaves in the first year, followed by the rest of the C&I load leaving in the next year.
11 As can be seen from the attachment, the renewables charge that is assessed on the
12 remaining customers can rise rapidly from the combination of a high cost fixed
13 obligation plus an under recovery that gets rolled over each year.

14

15 Q. What can the Commission do about this effect?

16 A. The Commission should take steps to assure that any long term renewables
17 procurement required of the Company is closely coordinated with standard offer
18 procurement for the period after 2009. This will allow the procurement plan to take
19 into account the customer base on standard offer service and, most importantly, what
20 the terms and conditions will be for obtaining standard offer service, staying on the
21 service, and leaving the service.

1 **XII. Other General Concerns**

2 Q. Are there any other concerns that the Company has on this subject?

3 A. Yes. The Company is very concerned about the rate impacts on customers and how
4 that will affect political and regulatory decisions in the future.

5

6 Q. Please explain.

7 A. The Company understands the importance of renewables generation projects
8 in New England to reduce dependency in the region on fossil-fueled generation. This
9 is an important goal and most of the states in New England are joining in the effort.
10 But we need to be mindful of the fact that renewables projects are more expensive
11 than other generation technologies today. In fact, that is precisely the reason why the
12 renewables certificate program is in place. These projects need to be paid more for
13 their production than other traditional technologies. Thus, as commitments are made
14 to pay prices that are above the wholesale market price for electricity for the output,
15 in the form of certificates or bundled contracts, the rates for customers will rise.
16 Rates on customers are already rising for numerous other reasons due to
17 environmental and other social policy initiatives. It is not my purpose here to
18 criticize any of them. I am just trying to point out the reality that rates are going up
19 as a result of the additional costs of the initiatives at both the state and federal level.

20

1 We also are living in an era where the industry changes dramatically in the course of
2 only 5 to 10 years. We have seen this in what has happened with industry
3 restructuring, where no one contemplated the “perfect storm” of a run up in natural
4 gas prices combined with environmental policies that essentially limited the
5 permitting of new generation to natural gas fired units only. In that regard, I firmly
6 believe that whatever we are all thinking the industry will look like 5 to 10 years from
7 now, all of us will probably be wrong about it.

8

9 Q. Why is that important?

10 A. It has great significance for any decisions we make today that contemplate substantial
11 financial commitments more than 5 years from now. Whatever we do today in long
12 term financial commitments creates consequences over the long term. Further, if the
13 consequences are that the financial commitments are substantially out of sync with
14 the market realities at that time, the political and regulatory pressure will be immense
15 to find ways to have customers escape the consequences. While I believe the
16 Company can rely on statutory provisions that assure recovery, I also am aware of the
17 political pressures faced by lawmakers when rates rise rapidly. In fact, I believe
18 investment banking firms recognize the legislative risk as well. It is one of the
19 reasons why many banks or other investors financing significant renewables projects
20 are reluctant to provide a loan without a contract locked up for the length of the debt
21 service. They are well aware of the fact that the renewables certificate market is a

1 legislated one that has no actual market reality. It is merely a mechanism to
2 implement today's legislative policy.

3
4 Q. What do you mean by that?

5 A. The legislature, with one stroke of the pen, created the obligation for utilities and
6 suppliers to buy renewables certificates. Hypothetically speaking, a future
7 generation of the same legislature could eliminate it just as quickly.

8
9 Q. Did the legislature consider the uncertainties of the market in the statute?

10 A. Yes. The legislature charged the Commission with the responsibility to assess the
11 market for renewable energy supplies in 2010 and again in 2014 (see R.I.G.L. §39-
12 26-6(d)). The law contemplates the Commission potentially delaying the
13 implementation of the scheduled increases in the renewables requirements if there are
14 inadequate supplies and make recommendations for changes to the law to revise the
15 schedule. While there is a schedule in the statute that sets forth escalating renewables
16 requirements, the statute also allows for those escalations to cease. This is another
17 reason not to set the procurement process on a course in 2007 to have long term
18 commitments in place before we reach the first assessment.

19

20 Q. Are there any other uncertainties that affect a decision to seek long term contracts at
21 this time?

1 A. Yes. On January 30, 2007, Governor Carcieri stated in his state of the state address
2 that his administration intends to create a “Power Authority” for Rhode Island. He is
3 quoted as saying:

4

5 “To ensure that Rhode Island consumers are the primary beneficiaries of the
6 renewable energy we produce, I am proposing the formation of a new Rhode
7 Island Power Authority. As we develop wind and hydro power, especially on
8 state-owned land, we will use the Authority to manage this power for the
9 state's benefit. The Authority will also be able to sell low-cost energy for
10 economic development and low-income assistance.”

11

12 While I am not certain about the details and it is far from certain that the creation of a
13 Power Authority would clear through the General Assembly, the creation of an
14 authority to manage renewables energy sources for Rhode Island could obviously
15 affect how renewables certificates will or should be purchased by the Company in the
16 future. As such, this presents another warning light for the Company’s procurement
17 strategy not to get too far out in front of the state’s evolving energy policies.

18

19 **XIII. Similarities with the QF Contracting Period**

20 Q. You mentioned earlier in your testimony that you see parallels between what

1 transpired in the late 1980s and early 1990s regarding QF project development, and
2 what is happening today with renewables development. Can you elaborate on that?

3 A. Yes, I can. Back at that time, QF developers took the position that, unless they had
4 long term fixed priced contracts, they would not be able to finance their projects.
5 State regulators listened to this concern and in many states issued orders to facilitate
6 the long term contracting. This happened in Massachusetts. While in the 1980s,
7 NEES did not have any affiliates in New York, National Grid now owns Niagara
8 Mohawk. In New York the same phenomenon took place. Today, renewables
9 developers are making the same case for financing.

10

11 Q. Were the QF contracts based on forecasts?

12 A. Yes. In the case of QF contracts for the NEES companies, every contract that I was
13 involved with was compared to forecasts of energy costs over the long term. In the
14 case of NEES, who had a regulated utility in Massachusetts, the forecasts of long
15 term costs, in part, arose out of litigated proceedings. The forecasts used for
16 contracting were reviewed by the regulatory agencies and adopted.

17

18 Q. What happened?

19 A. As I mentioned at the beginning of my testimony, the forecasts ended up missing the

1 mark by a wide margin. In fact, in order to make the contracts “cost competitive”
2 with the forecasts, while at the same time allowing for their “financeability,” the
3 pricing was “front-end loaded.”
4

5 Q. What does front-end loaded mean?

6 A. It meant that we had to take the net present value of the 15 to 20 year forecast and
7 establish the pricing intentionally above the forecast cost in the early years, but set the
8 pricing on a curve that was lower than the forecast cost in the outer years.
9

10 Q. What was the effect?

11 A. From the beginning of the contracts, the pricing was above market in the early years
12 by design. In theory, this was supposed to turn in the customers’ favor in later years
13 to offset the up front overpayments. But, as it turned out, when the forecasts were
14 wrong, the utility and its customers ended up with the worst of both worlds -- over
15 market in the early years and over market in the outer years.
16

17 Q. What relevancy is this to these proceedings?

18 A. While no one yet is proposing front-end loaded long term contracts for renewables in
19 this docket, it illustrates that long term contracts still create great risks for customers,
20 even when a forecast that regulators adopt is used to establish the long term pricing.
21

1 Q. What happened in New York to Niagara Mohawk?

2 A. In New York, Niagara Mohawk was required to enter into a substantial number of QF
3 contracts, at prices dictated by statute and regulation, nearly all of which ended up
4 above market. While I will not suggest that contracting with renewables at the
5 percentages required by the statute in Rhode Island would likely lead to the extreme
6 situation that Niagara Mohawk faced, it is worth noting that Niagara Mohawk was
7 driven to the edge of bankruptcy, caused in large part by the contract cost burden.
8 As rate pressures became worse, the political and regulatory pressures to prevent rate
9 increases ratcheted up. In the end, the company negotiated itself out of the crisis,
10 with a Master Restructuring Agreement (“MRA”) involving all the above market
11 power purchasers. Nevertheless, both the company and its customers paid a steep
12 price. The company wrote off \$2 billion as part of the MRA, and was unable to pay a
13 dividend to its shareholders in the final six years of its independent existence prior to
14 being acquired by National Grid. Customers have paid billions in excess costs, and
15 still feel the effects today as Niagara Mohawk continues to recover its stranded costs
16 associated with those contracts.

17

18 Q. Does this mean that it is National Grid’s position that the state of Rhode Island should
19 not encourage long term contracting under any circumstances?

20 A. No. We do have some ideas about how to make this work, while at the same time
21 limiting the exposure to customers.

1 **XIV. Furthering the State Policy Goals with a State Agency Model**

2 Q. What is the Company's solution to furthering the state policy goals of encouraging
3 the development of renewable energy projects?

4 A. The Company recognizes that one of the goals of the statute is to encourage
5 investments in renewables projects. We also understand that the developer of larger-
6 scale projects like Cape Wind and BluewaterWind are firmly of the belief that long
7 term commitments are necessary to obtain the financing to construct projects of that
8 size. However, the entity charged with engaging in activities to encourage this type
9 of investment (as opposed to making purchases of renewable power or certificates) is
10 the EDC, pursuant to R.I.G.L. § 39-26-7.

11

12 Purchases by the utility are constrained by the prudence standard. In contrast, the
13 EDC, by statute, is authorized to encourage investments in renewables, without the
14 legal constraint of the economic test of prudence. The EDC has the statutory
15 authority to enter into long term arrangements that may look uneconomical today, but
16 can do so in order to facilitate the building of such large projects for reasons relating
17 to state policy. If the policy goal is to stimulate investment in renewables, then the
18 EDC is best suited for this purpose. EDC can request proposals. The EDC can
19 examine all aspects of the projects, similar to what a bank would do before financing
20 a project. Unconstrained by the prudence rule, the EDC can choose projects based on
21 criteria that is not checked by the goal of obtaining the lowest price. Thus, the

1 likelihood of actually getting a project financed and built are increased. In that
2 regard, the EDC can make an effort to seek out projects that are far along in
3 permitting, have well-capitalized developers with strong track records, and negotiate
4 an agreement that is designed to get a viable project financed and built. Or it can
5 choose a project with a fabulous idea at the development stage and enhance its
6 prospects for success. When obtaining the lowest cost is removed from the equation,
7 the ability to actually get significant, viable projects financed is increased
8 substantially.

9
10 Q. Are there any other benefits of using EDC as the contracting entity for long term
11 agreements designed to facilitate financing of renewables projects?

12 A. Yes. Using EDC as the entity to enter into financing contracts for the purpose of
13 stimulating investment is better for customers because it can reduce the ultimate costs
14 charged to customers over the long term. Since the EDC is the entity that
15 administers the Renewable Energy Development Fund, the EDC can use funds from
16 alternative compliance (“ACP”) payments, as well as back-to-back agreements with
17 the Company that are approved by the Commission to fund the financing of projects.
18 It makes no sense to have a large fund of dollars build up in the fund (at customer
19 expense) and not use it to facilitate the construction of a larger renewables project that
20 will truly carry out the policy of the state. The Company does not have this
21 flexibility.

1 Q. How could this work?

2 A. If the EDC makes a long term commitment that involves the right to RECs at a fixed
3 price, and the EDC uses ACP payments to fund a portion of the payments owed to
4 acquire certificates, it would be in the position to convey the certificates to the utility
5 for a price that is lower than the actual payments being made to the project. The price
6 paid by the utility would be the difference between amounts being paid through the
7 ACP payments to the project and the fixed price under the contract. As such, the
8 utility could obtain the certificates at a price that is lower than it would have obtained
9 if it had entered into the agreement itself. This puts the funds to the best use to
10 achieve the lowest cost long term commitment for Rhode Islanders, yet achieves the
11 state policy of facilitating the financing and construction of large-scale renewables
12 projects.

13

14 We should not lose sight of the legislative goal here. The goal is not to force utilities
15 to enter into long term contracts. It is to stimulate investment in renewables in order
16 to lower energy costs for Rhode Islanders in the long run. In fact, this is one of the
17 assumptions of the Renewable Energy Standard law in the Legislative Findings:
18 “Increased use of renewable energy may have the potential to lower and stabilize
19 future energy costs.” R.I.G.L. § 39-26-1(b). We should work within all the flexible
20 parameters given under that legislation to achieve this objective.

21

1 Q. Has this model of using a state agency been tried in any other state?

2 A. Yes. In New York, where their collective memory of the QF days is still fresh, there
3 is a state agency called NYSEDA that is charged with the responsibility to enter into
4 long term contracts for renewables certificates. They have already conducted bids
5 and entered into some contracts. The costs of the contracts are recovered through a
6 charge that is placed on the utility bills and assessed on all customers, regardless of
7 whether commodity service is taken from a supplier or the utility. This mechanism
8 was the result of an extensive stakeholder process that had substantial participation
9 from renewables developers, who expressed satisfaction with the structure to meet
10 their financing needs. There is no reason why the same model cannot work in Rhode
11 Island.

12

13 Q. How does this model provide additional help to customers in Rhode Island?

14 A. In Rhode Island, there is another benefit arising out of the treatment of the ACP fund.
15 As I already described in my discussion about EDC, as holder of the ACP funds, the
16 EDC can use two sources to support the contracts. One source is the fund itself. The
17 other can be a charge on the utility bill which functions like a systems benefit charge
18 similar to the New York model. These are charged to all customers, without regard to
19 whether the customers are taking commodity service from a supplier or the Company.
20 This creates the option with the greatest potential for keeping the ultimate costs to
21 customers low, while at the same time assuring that financing of truly viable

1 renewables projects – ones that will actually make more than a theoretical difference
2 in the regional market – will actually be financed and built.

3
4 Q. Are statutory changes necessary to implement this model?

5 A. I do not believe so. R.I.G.L. § 39-26-7(c) appears to provide a wide scope of
6 authority for the EDC to enter into agreements to stimulate investment in renewable
7 energy development.

8
9 Q. What about authority to approve a back-to-back agreement between the EDC and the
10 Company and assess a uniform charge on all customers to fund it?

11 A. I also believe that the statute gives the Commission the authority to approve such
12 agreements, where the mechanism would be less expensive for customers as a whole.
13 R.I.G.L. § 39-26-6(b) provides the Commission with authority to authorize rate
14 recovery without limitation to the class of customers who are assessed the charge.
15 Moreover, this could be part of a procurement plan approved by the Commission.
16 R.I.G.L. § 39-26-6(a)(3) also authorizes the Commission to employ “flexibility
17 mechanisms” to ease compliance burdens and facilitate bringing new renewable
18 resources on line.

19
20 Q. How does the state agency model help developers?

21 A. Developers should take greater comfort when the state agency is the contracting

1 party. If the agency has the obligation and the utility has a back-to-back agreement
2 approved by the Commission to support payments under the contract, the viability of
3 the commitment is far more secure. The state has a more significant stake in the
4 outcome.

5
6 Q. Are there any other advantages to the state agency model?

7 A. Yes. When the EDC is engaged in the activity instead of the utility, the EDC has a
8 golden opportunity to collaborate with other states in the region. In that regard, it is
9 important to recognize that the wide-scale construction of new renewables projects
10 primarily has a regional benefit that is not exclusive to one state. One of the key
11 benefits of developing renewable projects is to reduce wholesale marginal energy
12 costs in the region, from which regional benefits flow. For that reason, there is an
13 opportunity for states with similar objectives to join together to finance large scale
14 projects that are determined to be in the public interest.

15
16 Q. Can you give an example?

17 A. Yes. Let's take Cape Wind or Bluewater Wind, intervenors in this docket, as
18 examples. If more than one state with renewables goals determined that these
19 projects should be built, the respective state agencies in those states controlling ACP
20 funds and already possessing the authority to enter into contracts could do multi-party
21 agreements. Based on information that is publicly available, it appears that the Cape

1 Wind project may have a cost approaching \$1 billion. A project of that magnitude
2 could not possibly be financed by Rhode Island alone. Similarly, while the
3 magnitude of the BluewaterWind project is not known at this time, presumably that
4 will have a substantial cost as well.

5
6 If EDC were to join with the Massachusetts Technology Council (“MTC”) in
7 Massachusetts, the two states could share the cost burden of long term commitments
8 on equal terms, rather than competing against each other. I am not as familiar with
9 the regulatory arrangements in other states like Connecticut, but if that state were
10 added to the mix, we would have the cost burden shared in a way that it should for
11 projects of this size. As I said earlier, the benefits are regional. Accordingly, any
12 burdens of long term contracting should be shared regionally to obtain the regional
13 benefits. National Grid is simply not situated to be able to work out a two or three
14 state arrangement like this.

15

16 Q. Is it really realistic to believe states could come to agreement?

17 A. I do understand that regional efforts to achieve unity in the past on various
18 issues has been difficult. But, the development of renewables in New England
19 appears to be a different scenario. The MTC has built up a large pot of dollars in
20 their compliance fund. Massachusetts also has a new Governor and legislature who,
21 just like Governor Carcieri and the General Assembly here in Rhode Island, have

1 enthusiastically embraced the drive to renewables. It seems to make a lot of sense to
2 try this alternative approach for the financing of larger scale renewables projects
3 before one state's electric customers volunteer through the regulatory processes to
4 bear the largest share of the cost burden.

5

6 Q. How could this type of plan be implemented?

7 A. One of the greatest advantages that the State of Rhode Island has is its small size.
8 This pertains not only to its geography, but also its ability to try new ways to
9 accomplish goals. The EDC, the commissioner of the new Office of Energy
10 Resources and his staff, the Division of Public Utilities and Carriers, the Company,
11 and the parties in this docket with intervenor status should get together in the working
12 group suggested in Mr. Duffy's testimony and work out the parameters for achieving
13 the goals of renewables development through this concept.

14

15 The existing statutory framework appears to provide the flexibility. It also is worth
16 noting that this potential avenue was identified by Mr. Stephens in the testimony
17 provided by BluewaterWind, as well.

18 This is the first time that the Company is under-going a procurement plan. There is
19 time to work this out creatively while the Company implements its procurement plan
20 for 2007, substantially as proposed.

21

1 Q. Does this conclude your testimony?

2 A. Yes. It does.

Migration Analysis

Base Year Charge

(1) Standard Offer kWh (1)	6,740,651,186
(2) Renewable Egy Standard Chg	\$0.00062
(3) <u>Estimated Annual Revenue</u>	<u>\$4,179,204</u>

Year 1

(4) Percentage of Load Migrated	24%
(5) SO/LR kWh Deliveries in Year 1 [Line (1) x Line (4)]	5,122,894,901
(6) RES Charge in Year 1 [Line (2)]	\$0.00062
(7) Revenue Collected in Year 1 [Line (5) x Line (6)]	\$3,176,195
(8) <u>Under Recovery in Year 1 [Line (7) - Line (3)]</u>	<u>(\$1,003,009)</u>

Year 2

(9) Revenue Requirement for Year 2 [Line (3) + -(Line (8))]	\$5,182,213
(10) Estimated kWh Deliveries [Line (5)]	5,122,894,901
(11) RES Charge in Year 2 [Line (9) ÷ Line (10)]	\$0.00101
(12) Percentage of Load Migrated	30%
(13) SO/LR kWh Deliveries in Year 2 [Line (10) x Line (12)]	3,586,026,431
(14) Revenue Collected in Year 2 [Line (11) x Line (13)]	\$3,621,887
(15) <u>Under Recovery in Year 2 [Line (14) - Line (9)]</u>	<u>(\$1,560,326)</u>

Year 3

(16) Revenue Requirement for Year 3 [Line (3) + -(Line (15))]	\$5,739,530
(17) Estimated kWh Deliveries [Line (13)]	3,586,026,431
(18) RES Charge in Year 3 [Line (16) ÷ Line (17)]	\$0.00160

Summary of Charge by Year

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
RES Charge	\$0.00062	\$0.00101	\$0.00160
Percentage Increase over Base Charge		63%	158%

(1) Actual kWh deliveries for calendar year 2006

REBUTTAL TESTIMONY & ATTACHMENTS
OF
MICHAEL J. HAGER

February 6, 2007

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1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. My name is Michael J. Hager, 55 Bearfoot Road, Northborough, Massachusetts 01532.

4

5 Q. Please state your position.

6 A. I am the Vice President, Energy Supply – New England for National Grid USA Service
7 Company.

8

9 Q. Have you previously submitted testimony in this proceeding?

10 A. Yes. On November 3, 2006, I submitted prefiled direct testimony in this proceeding,
11 together with National Grid's first RES Procurement Plan.

12

13 Q. What is the purpose of your rebuttal testimony?

14 A. The purpose of my rebuttal testimony is to respond to the issues raised by the testimony
15 filed by intervenors in this proceeding.

16

17 **II. Definition of Short, Medium and Long Term Contracts**

18 Q. How would you define short, medium, and long term contracts?

19 A. Based on the current wholesale electric market practices, I would define each category,
20 for purposes of this docket as follows: short term would be less than one year, medium
21 term would be from one to three years and long term would be three years or greater. In
22 the New England market, recent energy supply contracts with distribution companies

1 have been in the range of one to three years. One utility, NSTAR Electric found that
2 pricing for a three year contract included a significant risk premium that made such an
3 agreement not in its customers' best interests.

4
5 **III. The Issue of Long Term Contracts at this Time**

6 Q. Did you consider long term contracting for this procurement plan?

7 A. Yes, however, based on our understanding of the Commission's Rules and Regulations
8 Governing the Implementation of a Renewable Energy Standard ("RES Regulations"),
9 we believe we are only required to consider contracting through 2009. As explained in
10 the testimony of Mr. Gerwatowski, the RES Regulations do not require considering
11 contracts beyond 2009 until the first phase of standard offer service ends in 2009.

12
13 Q. Are there any other practical reasons why entering into contracts for the period beyond
14 2009 presents procurement problems?

15 A. Yes. By March 2009, the Company must file a complete and comprehensive power
16 supply procurement plan for standard offer service beginning as of January 1, 2010. It
17 does not seem appropriate for the Company to be entering into contracts for renewable
18 energy and/or certificates that cross over into the supply procurement period that needs to
19 be proposed to the Commission in 2009. It makes much more sense for the Company to
20 be able to propose a coherent comprehensive plan at that time that does not carry with it a
21 legacy of other contracts that may or may not be consistent with other aspects of the plan.
22 This is described further in the testimony of Mr. Gerwatowski.

1 Q. If the Commission were to require the Company to consider contracts for renewable
2 certificates with terms longer than three to five years, is there any objective criteria that
3 you could apply to determine whether the proposed pricing is likely to be lower cost for
4 customers, as compared to expected market prices at that time?

5 A. No. Unlike trading that occurs on the NYMEX exchange or other forward markets where
6 pricing is transparent, there is no reliable way to evaluate the pricing. It would be
7 nothing but a guessing game to try to assess the value of any pricing proposal for pricing
8 spanning five to ten years or greater. If we were considering a wholesale power
9 purchase agreement not involving renewable certificates, we could use a forecast of
10 market prices using any number of valuation methods including relying on available
11 market prices. However, despite the availability of multiple valuation models, reliably
12 forecasting what the actual price of wholesale power is likely to be five years from now
13 is very difficult.

14

15 Q. Why would you not use this forecasting method for the purchase of renewable
16 certificates?

17 A. The renewable certificate market is not the same as the wholesale electricity market. It
18 is, by design, a market for the sale of certificates, the value of which cannot be estimated
19 based on objective criteria such as fuel costs and the like. In order to determine these
20 costs, a whole host of assumptions would have to be made about how many renewable
21 projects will be permitted; how many will be constructed; what will happen in other
22 states regarding the obligation to purchase renewable energy an/or certificates; project

1 sizes; and other subjective factors. From there, a model would have to be developed that
2 makes other assumptions about how individual projects are likely to bid. Unlike liquid
3 forward markets for wholesale power and forecasts of wholesale market prices, there are
4 just too many subjective variables for anyone to be able to say that it would be reasonable
5 to rely on the forecast of market prices for certificates. It truly would be a guessing
6 game.

7
8 Q. What if someone provided a bid to the Company that was competitively low for years
9 2007, 2008, and 2009, and had the same price offered for a period of 10 years thereafter?
10 Wouldn't that be in the interest of customers to sign?

11 A. Even though the pricing would be attractive for the first three years, when compared to
12 other bids received, there would be no way of knowing if the later years were bringing
13 higher or lower costs to customers. Therefore, the Company would not necessarily enter
14 into such a contract, especially since the vast majority of the years for which renewable
15 certificates are being offered would be impossible to reliably evaluate economically.

16
17 For example, suppose the Company receives a bid for 10,000 certificates per year at \$50
18 per certificate for the 2007 - 2009 period and another bid for 10,000 certificates per year
19 at \$40 per certificate for the 2007 – 2016 period. Clearly, the \$40 bid is less expensive
20 than the \$50 bid during the 2007 – 2009 period. If this were the only period to be
21 procured, the Company would recommend the \$40 bid. However, if in order to secure
22 the \$40 bid the Company had to procure the entire 2007 – 2016 period, there is simply no

1 way to know how the \$40 price will compare to future market prices. To accept this bid
2 for this period would be guessing that the price is reasonable or hoping that averaging
3 this transaction along with future purchases would produce a reasonable overall price for
4 customers.

5
6 Q. Why wouldn't selection of the \$40 bid as part of a long term dollar cost averaging
7 program not yield favorable results for customers?

8 A. First, as mentioned above, there is no basis to gauge the value/benefits of the \$40 bid
9 versus market prices. Second, even if one were to be able to determine that the bid is at
10 market, the potential migration effect of customers presents some significant problems.
11 This can be illustrated using some history of migration of customers on and off last resort
12 service provided by the Company.

13
14 For example, assume the Company employed a long term procurement strategy that
15 purchased a portion of its expected renewables requirements each year through long term
16 contracts and that it began this program by buying only ten percent of its requirements in
17 the first year. For purposes of this example, the actual last resort service loads for the
18 most recent six-year period were used and the procurement was assumed to start at the
19 end of 2006. As shown in Attachment MJH-9, this initial attempt to procure 10% of long
20 term needs resulted in a purchase of 20% - 25% actual needs and over 100% of the
21 requirements for the second year of the program.

22 The analysis presented in Attachment MJH-10 shows the effects of continuing this

1 procurement for a second year in a row. Instead of procuring 20% of the expected needs,
2 the program resulted in nearly twice that amount being procured.

3
4 Q. How does this migration effect relate to the standard offer?

5 A. A similar effect can take place for the standard offer in future years, to the extent
6 customers retain the right to leave the service by the Company to go to a competitive
7 supplier. For example, if the Company were to have multiple renewable certificate
8 contracts that are above market in future years, the cost of these contracts would be
9 averaged into the standard offer rate. To the extent competitive suppliers were able to
10 obtain a power/certificate supply at or below market rates, the price of power they offer
11 will be lower than the standard offer. In such case, the Company adds an above market
12 cost for the long term “out-of-market” REC costs to the standard offer rate, while the
13 competitive supplier’s costs are lower. At this point, customers will see the lower price
14 signal and should opt out of standard offer service. In this case, the Company could see
15 a significant drop in kilowatt-hours over which it spreads its renewable certificate costs.

16 The next time the standard offer rate is set, there is an under-collection that needs to be
17 recovered which is added to the standard offer rate. In turn, the then current “out-of-
18 market” renewable certificate cost gets added in to the rate. The problem is now worse
19 than where it was in the previous year because the spread between the competitive
20 supplier’s price and the standard offer price is even greater. To the extent there were any
21 customers who had not already left the standard offer, it is likely that the migration rate
22

1 would increase. This, in turn, worsens the under-collection, and the snowball effect takes
2 place.

3

4 Q. Can't the Company mitigate this situation by re-selling the renewable certificates?

5 A. No. By definition, in this scenario, the cost of the Company's renewable certificates are
6 above market. Thus, such certificates could only be sold at a loss, leaving the loss to be
7 recovered in standard offer rates.

8

9 Q. How could the effect be halted?

10 A. One way to halt the effect is to have the above market costs charged to all customers,
11 including those customers who receive commodity service from competitive suppliers.
12 The problem is that those customers who left standard offer service likely had the
13 expectation that they would save costs on their electric bill. Under this scenario, the
14 customers who left standard offer service would be charged costs they did not expect to
15 incur. Thus, issues of fairness would be raised. In short, retail choice coupled with long
16 term contracting creates a number of conflicts.

17

18 Q. Is there a way to solve this?

19 A. Yes. The Company should not contract for any renewable certificates for any time after
20 2009 until it knows how standard offer service will be procured. At that time, all of
21 these issues can be taken into account in terms of service conditions, supply procurement

22

1 approaches, and rules for migration. The Commission should not do anything about this
2 today.

3
4 Q. Does the Company agree that long term contracts are necessary for the development of
5 renewables?

6 A. We are not yet convinced that it is necessary. However, I understand that developers of
7 large-scale projects like Cape Wind and BluewaterWind maintain that they will need
8 long term commitments to finance their projects.

9
10 Attachment MJH-11 shows the amount of new renewable generation that has been
11 approved for the Massachusetts New Renewable Portfolio Standards (“MA RPS”). I am
12 unaware of any significant long term contracting being conducted in the Massachusetts
13 market, yet this attachment indicates that there has been a considerable amount of new
14 renewable generation developed in the past few years and in development for the future.
15 Given the infancy of the Rhode Island market and the concerns raised above, the
16 Company recommends this initial solicitation only focus on certificate requirements for
17 the 2007 – 2009 period. Mr. Gerwatowski offers another means to achieve the objectives
18 of facilitating the financing of projects like Cape Wind and BluewaterWind, by using a
19 state agency model similar to what is being employed in New York. Without arguing
20 about the extent to which long term contracting is “necessary”, we would prefer to
21 explore the benefits of that model, which has much more flexibility built in and has the
22 chance to actually be lower cost for customers.

1 Q. How many projects are currently qualified to provide renewable certificates that meet the
2 RES Regulations?

3 A. Currently there are eight projects that have filed for and/or obtained certification in
4 Rhode Island as new renewable generation totaling over 42 MW and eleven projects have
5 filed for and/or obtained certification in Rhode Island as existing renewable generation
6 totaling over 47 MW. Based on the various forecasts of requirements shown in
7 Attachment MJH-2, the Company believes it only needs approximately 25 – 35 MW to
8 meet its requirements for the 2007 – 2009 period.

9

10 Q. In his testimony, Mr. Woolf suggests a process where the Company is required to allow
11 simultaneous involvement of Participating Purchasers before the Company makes any
12 commitments. What is your reaction to this?

13 A. While I understand that Mr. Woolf desires to facilitate participation by others, I am very
14 concerned that we not over-complicate what should be a simple process. The Company
15 is seeking bids for Periods I and II, for which it will contract on behalf of customers. The
16 intention here is for the Company to capture the lowest bids for customers for Periods I
17 and II, and leave any remaining bids available to others, including any proposals for
18 Period III. This does not require “simultaneous negotiations.” The Company has no
19 intention of giving up low bids for Periods I and II to others, nor do the regulations
20 require it. That is not in the best interest of customers. Rather, it is the Company’s
21 intention to share the remaining Period I and II bids with Participating Purchasers after
22 the Company has made its choices. The Period III bids, however, will be provided

1 immediately. After Participating Purchasers have been given the bidding data, the
2 Company will work cooperatively with any parties, with the advice of the Division. If
3 there is a bid that spans multiple periods, and it appears that it is possible to negotiate an
4 arrangement whereby the Company can obtain the rights to Period I or II if a third party
5 takes the Period III portion of the bid, the Division and the Commission should rest
6 assured that the Company will address it expeditiously and be in communication with the
7 Division about it. At this point, this is the first of many procurements by the Company to
8 meet the Company's RES Obligations. We believe it would be better to gain experience
9 this time. If there are any difficulties raised by the scenario with which Mr. Woolf is
10 concerned, we would address it immediately, or most certainly in future procurements
11 that would need review by the Commission.

12
13 Q. Mr. Duffy of Cape Wind has raised an issue regarding selection criteria and suggested
14 that projects that benefit Rhode Island be given added weight. Do you have any
15 response?

16 A. Yes. Conceptually, we do not have a problem with giving some additional weight to
17 projects that benefit Rhode Island, all other price factors being relatively equal.
18 However, we are concerned that this type of criteria could become very subjective and it
19 should be established by other parties and approved by the Commission. The issue is
20 how much more should the Company pay for renewable certificates that provide
21 economic benefits, such as employment, to Rhode Island than for renewable certificates
22 that do not bring Rhode Island benefits.

1 In response to this issue, the Company is proposing to modify the information requested
2 from each bidder. Each bidder will now be required to identify in its bid how the
3 proposed renewable certificates will help satisfy the goals of stabilizing long term energy
4 prices, enhancing environmental quality and creating jobs in Rhode Island in the
5 renewable energy sector. This information will be shared with the Division as will the
6 Company's decision-making process as described in my direct testimony. A redlined
7 copy of the revised sections of the RFP is provided in Attachment MJH-12.

8
9 Although it will solicit information regarding the benefits to Rhode Island, the Company
10 is not in a position to verify or otherwise certify the accuracy of the information provided
11 by bidders.

12
13 Q. Mr. Duffy also commented on the commercial terms and conditions, expressing concern
14 that some of the terms may be onerous. Do you have a response?

15 A. Yes. One of Mr. Duffy's concerns relates to the ability to provide unit contingent sales
16 of renewable certificates rather than fixed quantity sales. The Company's RFP would
17 enable a bidder to bid either. The Company has modified the RFP to make this clearer.
18 Changes to the RFP can be found in Attachment MJH-12.

19 Mr. Duffy also expresses concerns regarding the proposed remedies for default and
20 security provisions; however, it is not clear from Mr. Duffy's testimony if he is
21 commenting on the terms and conditions as they would apply to long term contracts or
22 the contracts that would be used for purchases under the Company's plan that do not

1 extend beyond 2009. He offers no solution to the security issue in his testimony. It is
2 not clear whether he suggests that no security requirement be included or whether it
3 should be loosened. Obviously, when we sign a contract for renewable certificates at an
4 agreed upon price it is with the expectation that we will obtain the certificates for
5 customers. We want to preserve the value of this commitment in the event of default.
6 We certainly are open to other forms for the terms for security; however, it is our
7 understanding, based on the Division's response to a data request of the Company, that
8 the Division supports the concept of security requirements. At this point, we would ask
9 the parties for concrete proposals that we can evaluate, rather than volunteering to water
10 them down based on the general comment.

11
12 Q. Does this conclude your testimony?

13 A. Yes, it does.

ATTACHMENT MJH-9

	(a) Actual LRS MWh	(b) RES Requirement	(c) 2006 Load RES Obligation	(d) LT Purchase Based on 2006 Load	(e) Actual RES Obligation	(f) Initial 10% vs. Actual Req
2006	560,466					
2007	265,720	3.0%	16,814	1,681	7,972	21%
2008	49,929	3.5%	19,616	1,962	1,748	112%
2009	293,902	4.0%	22,419	2,242	11,756	19%
2010	211,937	4.5%	25,221	2,522	9,537	26%
2011	215,902	5.0%	28,023	2,802	10,795	26%
2012	222,749	5.5%	30,826	3,083	12,251	25%

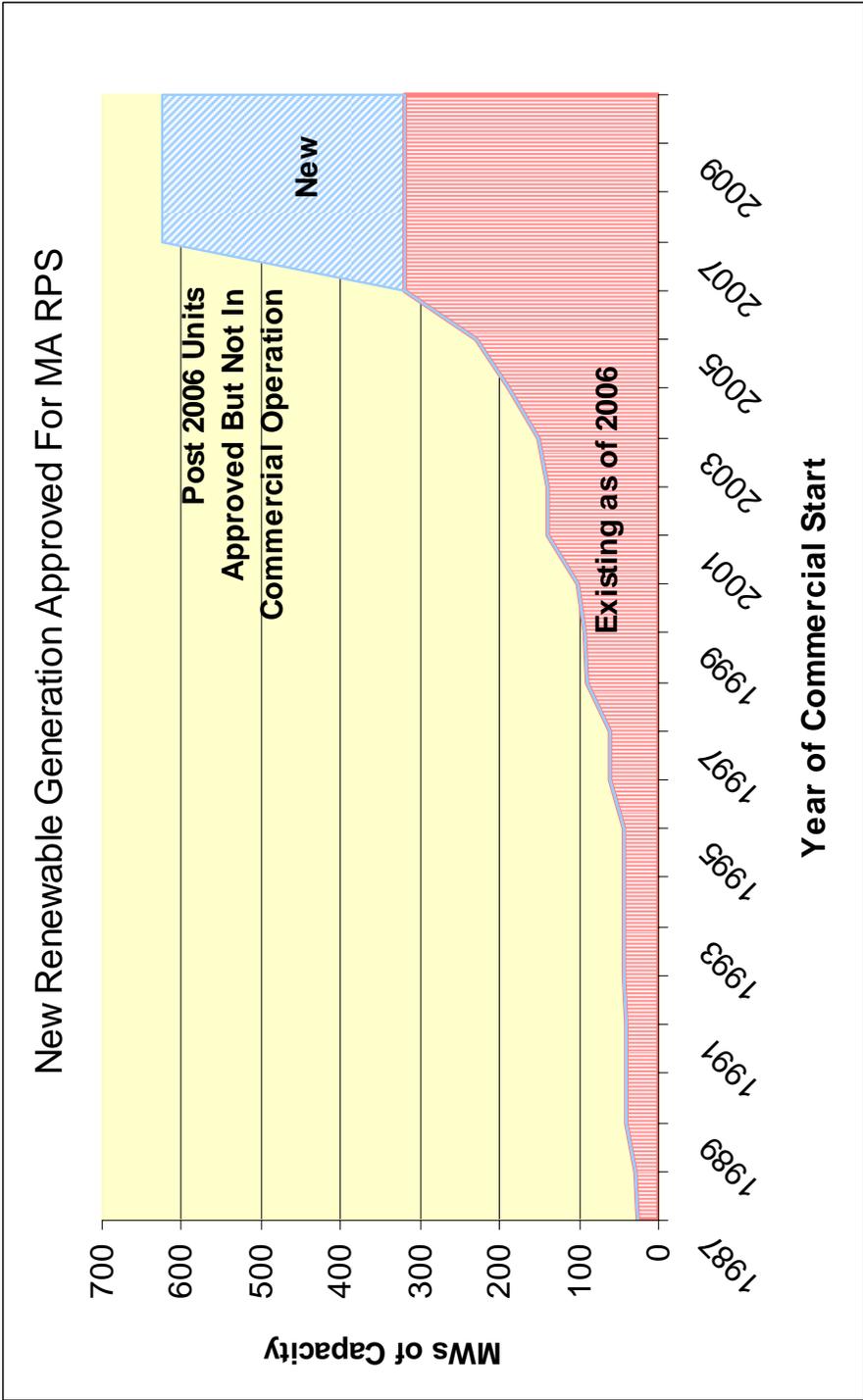
- (a) Actual LRS load reported to ISO-NE for initial settlement, including losses, for 2000 - 2006
- (b) Annual requirement per RES Regulations
- (c) Col (a) for 2006 * Col (b)
- (d) Col (c) * 10%
- (e) Col (a) * Col (b)
- (f) Col (d) / Col (e)

ATTACHMENT MJH-10

	(a) Actual LRS MWh	(b) RES Requirement	(c) 2007 Load RES Obligation	(d) LT Purchase Based on 2007 Load	(e) LT Purchases Based on 2006 Load	(f) Total LT Purchases	(g) Actual RES Obligation	(h) LT Purchases vs. Actual Req
2006	560,466							
2007	265,720	3.0%			1,681	1,681	7,972	21%
2008	49,929	3.5%	9,300	930	1,962	2,892	1,748	165%
2009	293,902	4.0%	10,629	1,063	2,242	3,305	11,756	28%
2010	211,937	4.5%	11,957	1,196	2,522	3,718	9,537	39%
2011	215,902	5.0%	13,286	1,329	2,802	4,131	10,795	38%
2012	222,749	5.5%	14,615	1,461	3,083	4,544	12,251	37%

- (a) Actual LRS load reported to ISO-NE for initial settlement, including losses, for 2000 - 2006
- (b) Annual requirement per RES Regulations
- (c) Col (a) for 2007 * Col (b)
- (d) Col (c) * 10%
- (e) From prior example
- (f) Col (d) + Col (e)
- (g) Col (a) * Col (b)
- (h) Col (f) / Col (g)

ATTACHMENT MJH-11



Attachment MJH-12

Redlined Version of Revised Sections of RFP (Original MJH-5)

**Request For Proposals
To Provide NEPOOL-GIS
Certificates in Compliance
With the Rhode Island
Renewable Energy
Standard**

For the Period:

Calendar Year 2007

Calendar Year 2008

Calendar Year 2009

Calendar Year 2010 and Beyond

Month XX, 2006

national**grid**

REQUEST FOR PROPOSALS

1. Overview

On June 29, 2004 the Rhode Island General Assembly enacted a Renewable Energy Standard (“RES”)¹ that promotes the development of renewable energy resources in Rhode Island and New England “with the goals of stabilizing long-term energy prices, enhancing environmental quality, and creating jobs in Rhode Island in the renewable energy sector”². The RES requires a retail supplier of electricity to obtain a minimum portion of its supply from certain new and existing renewable energy resources. The Rhode Island Public Utilities Commission (“RIPUC”) established rules and regulations implementing these requirements (“RES Rules”). The RES rules can be found at:

[http://www.ripuc.state.ri.us/rulesregs/commrules/3659-RES-FinalRules\(12-7-05\).pdf](http://www.ripuc.state.ri.us/rulesregs/commrules/3659-RES-FinalRules(12-7-05).pdf)

Beginning in 2007, each retail supplier in Rhode Island is required to show that at least 3.0% of its resources are provided from renewable energy resources of which up to 2.0% can be provided from existing renewable energy resources, and at least 1.0% must be provided from new renewable energy resources. The new renewable energy resource requirement increases to 1.5% in 2008 and 2.0% in 2009. A retail supplier may satisfy these requirements by providing attribute certificates from the NEPOOL Generation Information System (“NEPOOL-GIS Certificate” or “REC”), contracting for the output of existing or new renewable energy resources, or making an Alternative Compliance Payment (“ACP”) to the Renewable Energy Development Fund (“REDF”) of the Rhode Island Economic Development Corporation (“EDC”).

National Grid³ is seeking proposals for the supply of RECs from generating facilities in Rhode Island, New England and surrounding regions, that have been approved by the RIPUC as either existing or new renewable energy resources that meet the RES requirements. National Grid is seeking proposals that provide RECs that comply with the RES for the following periods:

- Calendar year 2007 (“Period I”),
- Calendar years 2008 and 2009 (“Period II”), and
- Calendar year 2010 and beyond (“Period III”).

National Grid is also seeking statements of interest from third parties interested in purchasing RECs offered in Period II and Period III (“Participating Purchaser”) that are not accepted by National Grid.

¹ R.I.G.L. § 39-26-1, et seq., Renewable Energy Standard.

² R.I.G.L. § 39-26-1, et seq., Renewable Energy Standard.

³ The contracting entity will be The Narragansett Electric Company.

National Grid will accept proposals based on the bids received and the best interests of its retail customers in Rhode Island, including any direct or indirect benefits resulting from renewable resources located in or around Rhode Island. National Grid reserves the right to determine the quantity, if any, of certificates purchased through this RFP. Nothing in this RFP, or in any proposal that may be submitted in response to this RFP, shall create any obligation on the part of National Grid.

2. Quantity of Certificates Sought and Description of Proposals

2.1. Quantity of Certificates

National Grid may purchase up to the following quantity of NEPOOL-GIS Certificates to meet its RES obligations in Rhode Island:

Year	NEPOOL GIS Certificates From Either New or Existing Energy Resources	NEPOOL GIS Certificates From New Energy Resources	Total NEPOOL GIS Certificates
2007	tbd	tbd	tbd
2008	tbd	tbd	tbd
2009	tbd	tbd	tbd
2010 and Beyond	n/a	n/a	n/a

2.2. Description of Proposals

National Grid will consider, among other proposals, the following types of proposals for the purchase of Period I and Period II RECs that meet the Rhode Island RES requirements:

- RECs issued by the NEPOOL-GIS in the current trading period.
- RECs to be issued by the NEPOOL-GIS in future trading periods.
- Non-cancelable Forward Certificates issued by the NEPOOL-GIS for future trading periods.
- Options involving the purchase or sale of RECs.
- Unit contingent or fixed quantities of RECs

National Grid will also review and discuss proposals that provide such NEPOOL-GIS Certificates using creative approaches not identified above.

Consistent with the RES Rules, National Grid will share the proposals involving Period II that were not selected by National Grid along with all Period III proposals with Participating Purchasers.

2.3 Proposal Documents and Information

To assist Participating Purchasers and Respondents in responding to this RFP, National Grid is providing the RFP, Participating Purchaser non-disclosure agreement and draft Certificate Purchase Agreement on its Power Procurement Web. Please use the following link to access the site:

<http://www.nationalgridus.com/energysupply/>

This site is open to anyone with the above link. No user id or password is required to access the data on the site.

3. General Provisions

3.1 Terms and Conditions

National Grid is seeking to purchase NEPOOL GIS Certificates that are in the best interests of its customers. The winning supplier(s) will be required to execute a Certificate Purchase Agreement with National Grid for the purchase of NEPOOL GIS Certificates. A copy of the proposed Certificate Purchase Agreement is provided in Appendix A. A winning supplier will be required to execute the Certificate Purchase Agreement within five (5) business days of being notified that it has been selected as a winning supplier.

Any proposed changes to the Certificate Purchase Agreement are to be included with Respondent's response to this RFP.

3.2 Proposal Process and Submission Dates

The following table outlines the key dates associated with this procurement process.

Process Step	Date
Issue Request for Proposal	Day 1
Submit Participating Purchaser Information and executed non-disclosure agreement	Day 21 – 5pm EPT
Submit Respondent Proposal Information, Pricing and Proposed Contract Modifications (if applicable)	Day 28 – 5pm EPT
National Grid distributes copies of Bids for Period II & III with the Division of Public Utilities and Carriers (“Division”), Office of Energy Resources, and EDC. <u>National Grid also distributes all of Period III bids to Participating Purchasers.</u>	Day 30 (2 business days)
National Grid reviews Bids, selects Bids for Period I & II consistent with established criteria and informs selected Respondents.	Day 35 (5 business days)
Execute contracts subject to the RIPUC not initiating an investigation into the solicitation and file results and executed contracts with RIPUC	Day 42 (5 business days)
RIPUC to initiate investigation, if required, or contracts become effective	Day 49 (5 business days)
National Grid provides Participating Purchasers with Period II Bids not selected by National Grid and all of Period III Bids.	Day 60

3.3 Submission Information

Copies of all information pertaining to this RFP should be directed to:

Mr. John D. Warshaw
 Energy Supply – New England
 National Grid
 55 Bearfoot Road
 Northboro, MA 01532
 (508) 421-7357
 (508) 421-7335 (fax)
 e-mail: john.warshaw@us.ngrid.com

3.4 Interested Participating Purchasers

National Grid is requesting Participating Purchasers to provide background information, qualifications and an executed non-disclosure agreement before it shares any Respondent information with the Participating Purchaser. One (1) copy of the Participating Purchasers information and executed non-disclosure agreement must be received at the above address by 5:00 p.m. EPT on Friday, Day 21. A copy of the non-disclosure agreement is provided in Appendix C.

Participating Purchaser information may be submitted by U.S. Mail, hand delivery, facsimile or e-mail. National Grid is not responsible or liable for submittals that are not received by the specified date and time. Submittals that are not timely received may be rejected.

3.5 Respondent Bid Submittal

National Grid is requesting Respondents to provide background information, qualifications, proposed pricing and proposed contract modifications with their bid response. In addition, Respondents are also requested to address how the renewable resource will meet the goals of stabilizing long-term energy prices, enhancing environmental quality, and creating renewable energy sector jobs in Rhode Island. Upon receipt, National Grid will evaluate each Respondent's qualifications and proposed pricing. Four (4) copies of a Respondent's proposal information, pricing and proposed contract modifications must be received at the above address by 5:00 p.m. EPT on Friday, Day 28. If a Respondent is only providing a bid for Period I, then only one copy is required.

Respondent proposal information may be submitted by U.S. Mail, hand delivery, facsimile or e-mail. National Grid is not responsible or liable for submittals that are not received by the specified date and time. Submittals that are not timely received may be rejected.

National Grid will share a copy of each Period II and Period III bid received⁴ with the Rhode Island Office of Energy Resources, the Economic Development Corporation, the Division of Public Utilities and Carriers, and any Participating Purchaser that has executed a non-disclosure agreement. National Grid will review the bids received, collaborate with the various state agencies participating in the review process, determine the number of NEPOOL-GIS Certificates it will purchase, if any, and begin to inform Respondents from which they will make such purchases.

National Grid, at its sole discretion, reserves the right to issue additional instructions or requests for additional information, to extend the due date, to modify any provision in the RFP or any appendix thereto and to withdraw the RFP.

⁴ Only after executing a confidentiality agreement with the various state agencies.

3.6 Contact Person/Questions

All questions regarding this Request for Proposal should be directed to John D. Warshaw at the address provided above.

3.7 Right to Select Supplier

National Grid shall have the exclusive right to select or reject any or all of the proposals submitted at any time, for any reason.

4. Proposal Requirements

4.1 Format of Proposal

The information required by National Grid to evaluate each proposal is identified in Appendix B. Respondents and Participating Purchasers may simply complete the forms provided in Appendix B in any legible fashion and return them to John D. Warshaw as provided in Section 3.4 and Section 3.5. In addition, proposals should contain explanatory, descriptive and/or supporting materials as necessary.

4.2 Proposed Pricing

Respondents must specify the price at which they will sell certificates to National Grid. National Grid is only purchasing RECs from qualifying new or existing renewable generators and will not purchase the energy or other market products from any generator.

It is National Grid's intention to pay a supplier based on the number of valid RECs actually delivered to its account in the NEPOOL-GIS system. Proposed pricing should be structured in such manner.

4.3 Regulatory Approvals

The supplier of the certificates covered by this RFP provide a summary of all necessary regulatory approvals required to enable it to provide Rhode Island RES compliant NEPOOL-GIS Certificates.

5. Selection Process

The criteria to be used in evaluating proposals will include, but is not limited to:

- Lowest evaluated bid price.
- Quantity of NEPOOL-GIS Certificates offered.

- Ability of supplier to meet its obligation to deliver NEPOOL-GIS Certificates.
- Firmness of delivery.
- The supplier's past experience in providing similar services to National Grid;
- The supplier's past experience in providing similar services to other companies in New England;
- The supplier's past experience in providing similar services to other companies in other regions;
- The supplier's demonstrated understanding of its obligations under the proposed Certificate Purchase Agreement; and
- Whether there have been any past or are any present events that are known that may adversely affect the supplier's ability to provide NEPOOL-GIS Certificates.
- Location of the renewable resource(s) and how the renewable resource satisfies the goals of stabilizing long-term energy prices, enhancing environmental quality, and creating renewable section jobs in Rhode Island,

National Grid will treat the information it receives from a supplier in a confidential manner and will only share such information with the Office of Energy Resources, the EDC, the Division, and any Participating Purchaser who has executed a non-disclosure agreement. National Grid will not, except as required by law or regulatory authority, disclose such information to any third party or use such information for any purpose other than in connection with this RFP.

6. Participating Purchasers

Once National Grid has completed its selection of proposals in this RFP, it will provide copies of proposals for Period II bids not selected by National Grid as well as all Period III proposals to Participating Purchasers. National Grid will also provide a list of the Participating Purchasers to those Respondents who provided Period II proposals and were not selected by National Grid to meet its RES Obligations and all Respondents with Period III proposals. While National Grid will initiate negotiations between Participating Purchasers and Respondents, National Grid will not be a party to any final agreements negotiated between parties. National Grid will also not provide any financing or security arrangements that may be required by a party.

APPENDIX A

PROPOSED CERTIFICATE PURCHASE AGREEMENT

APPENDIX B

REQUIRED PARTICIPATING PURCHASER/RESPONDENT INFORMATION

1. General Information

Name of Respondent	
Principal contact person < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Secondary contact person (if any) < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Legal form of business organization of Respondent (e.g., sole proprietorship, partnership, limited partnership, joint venture, or corporation)	
State(s) of incorporation, residency and organization Indicate whether Respondent is in good standing in all states in which Respondent is authorized to do business and, if not, which states and the reason it is not.	
If Respondent is a partnership, the names of all general and limited partners. If Respondent is a limited liability company, the names of all direct owners.	
Description of Respondent and all affiliated entities and joint ventures transacting business in the energy sector	

2. Financial Information

Current debt rating for Respondent (include ratings and names of rating agencies).	
Date Respondent's last fiscal year ended.	
Total revenue for Respondent for the most recent fiscal year.	
Total net income for Respondent for the most recent fiscal year.	
Total assets for Respondent as of the close of the previous fiscal year.	
Copy of the Respondent's most recent balance sheet, income statement and cash flow statement.	
Copy of the Respondent's most recent audited balance sheet, income statement and cash flow statement.	

3. Defaults and Adverse Situations

Has Respondent, or any affiliate of Respondent, in the last five years, (a) consented to the appointment of, or was taken in possession by, a receiver, trustee, custodian or liquidator of a substantial part of its assets, (b) filed a bankruptcy petition in any bankruptcy court proceeding, (c) answered, consented or sought relief under any bankruptcy or similar law or failed to obtain a dismissal of an involuntary petition, (d) admitted in writing of its inability to pay its debts when due, (e) made a general assignment for the benefit of creditors, (f) was the subject of an involuntary proceeding seeking to adjudicate that Party bankrupt or insolvent, (g) sought reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors.	
---	--

RESPONDENT: _____

4. CONFLICTS OF INTEREST

Briefly describe any known conflicts of interest between bidder or an affiliate of bidder and Buyer, National Grid USA or any affiliates of the foregoing.	
Enumerate any litigation, claims or complaints asserted by bidder or an affiliate of bidder, against Buyer, National Grid or an affiliate of any of the foregoing.	
Enumerate any litigation, claims or complaints asserted against bidder or an affiliate of bidder by Buyer, National Grid or an affiliate of any of the foregoing.	

5. SCOPE OF BID AND TERMS OF SALE

Will Respondent execute a contract substantially similar to the proposed Certificate Purchase Agreement contained in Appendix A? Explain any proposed modifications.	
List all regulatory approvals required before service can commence.	

6. PROPOSED TRANSACTION

(include pricing, term, description of renewable resource, location of resource and how the resource will help satisfy the goals of stabilizing long-term energy prices, enhancing environmental quality, and creating renewable sector jobs in Rhode Island)

APPENDIX C

PARTICIPATING PURCHASER NON-DISCLOSURE AGREEMENT

National Grid – Docket No. 3765
Renewable Energy Standard Charge Filing
Renewable Energy Standard Procurement Plan
Service list as of 1/24/07

Name/Address	E-mail Distribution List	Phone/FAX
Laura Olton, Esq. National Grid 280 Melrose St. Providence RI 02907	Laura.olton@us.ngrid.com	401-784-7667 401-784-4321
	Joanne.scanlon@us.ngrid.com	
William Lueker, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	Wlueker@riag.ri.gov	401-222-2424
	Dstearns@ripuc.state.ri.us	401-222-3016
	Sscialabba@ripuc.state.ri.us	
	RDIMeglio@riag.ri.gov	
Michael McElroy, Esq. Schacht & McElroy PO Box 6721 Providence RI 02940-6721	McElroyMik@aol.com	401-351-4100 401-421-5696
Dennis J. Duffy, V.P. Energy Management, Inc. 75 Arlington Street, Suite 704 Boston, MA 02116	dduffy@emienergy.com	617-904-3100 617-904-3109
William P. Short III, VP of Power Mktg. Ridgewood Providence Power Partners LP 947 Linwood Avenue Ridgewood, NJ 07450	bshort@ridgewoodpower.com	201-447-9000 201-447-0474
Tim Woolf, Vice President Synapse Energy Economics 22 Pearl Street Cambridge, MA 02139	twoolf@synapse-energy.com	617-661-3248 617-661-0599
Original & nine (9) copies file w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02889	Lmassaro@puc.state.ri.us	401-941-4500 401-941-1691
	Sfrias@puc.state.ri.us	
	PatriciaL@gw.doa.state.ri.us	
	Dhartley@puc.state.ri.us	
	Anault@puc.state.ri.us	
Karina Lutz, Dir. of Dev. & Advocacy People's Power & Light LLC	karina@ripower.org	
	erich@bluewaterwind.com	
Andrew C. Dzykewicz Chief Advisor to the Governor on Energy	adzykewicz@gov.state.ri.us	
Julie Capobianco RI Office of Energy Resources	JulieC@gw.doa.state.ri.us	
Matt Auten, Environment Rhode Island	mauten@environmentrhodeisland.org	
John Rogers, UCSUSA	jrogers@ucsusa.org	