



State of Rhode Island and Providence Plantations

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*Patrick C. Lynch, Attorney General*

December 11, 2007

**VIA U.S. POSTAL SERVICE AND ELECTRONIC MAIL**

Ms. Luly Massaro, Commission Clerk  
Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02889

**Re: National Grid 2008 Renewable  
Energy Standard Procurement Plan  
– PUC Docket No. 3901**

Dear Ms. Massaro:

Attached for filing in the referenced docket are the original and nine copies of a memorandum prepared on behalf of the Rhode Island Division of Public Utilities and Carriers by Dr. John Stutz of the Tellus Institute. The Memorandum responds to comments filed in the referenced docket by Ridgewood Power Management on December 5, 2007.

If you have any questions concerning this matter, I can be reached at the following number: (401) 274-4400, ext. 2299, or by electronic mail at [wlueker@riag.ri.gov](mailto:wlueker@riag.ri.gov).

Very truly yours,

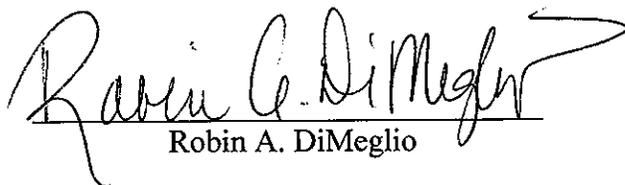
William K. Lueker (R.I. Bar # 6334)  
Special Assistant Attorney General

Encl.

cc: Service List PUC Docket No. 3901

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the within Memorandum (with cover letter) to the Public Utilities Commission, was served this 11<sup>th</sup> day of December, 2007, via first class mail, postage prepaid, and via electronic mail, upon each person on the official service list in this proceeding.

  
Robin A. DiMeglio

## MEMORANDUM

TO: Public Utilities Commission  
FROM: John Stutz, Tellus Institute on behalf of the Division of Public Utilities  
and Carriers  
DATE: December 11, 2007  
TOPIC: Response to Ridgewood Comments in Docket 3901

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On November 15, 2007, National Grid filed its 2008 Renewable Energy Procurement Plan (the Plan), consisting of the pre-filed testimony and attachments of Michael J. Hager. In response, on December 5, 2007, Ridgewood Power Management LLC (Ridgewood) filed a letter that provides its comments and concerns associated with the Plan. The purpose of this memorandum is to respond briefly to two issues raised by Ridgewood.

- Likely valuation of Renewable Energy Certificates (RECs) by potential developers of renewable energy projects.
- Impacts of renewable energy projects on the State's economy.

Turning first to the valuation issue, Ridgewood notes that the details of National Grid's procurement procedures as well as complete information about the winning and losing bids are not available. It claims that, as a result, project financiers will be unable to determine what the average REC is worth and, therefore, will likely value it at zero. There is no evidence or argument presented by Ridgewood that the "missing information" is required to prevent a valuation of zero. In fact, a valuation of zero is inconsistent with Mr. Hager's testimony. It shows non-zero prices being paid for RECs and proposes an increase in charges to be paid by RI ratepayers to cover the cost of those purchases. (See Attachment MJH-2 for details.)

While Ridgewood's arguments are not persuasive, there are reasons to consider making at least part of the information sought by Ridgewood public. The bidding procedures and the winning bids give rise to costs which ratepayers are asked to pay. The public has a legitimate interest in the arrangements leading to the costs it is asked to pay. Thus the procedures and winning bids should be made public unless their disclosure is likely to have an adverse effect on ratepayers. The Company should be given a chance to address this point.

Turning to the second issue, Ridgewood proposes that Rhode Island renewable energy projects be granted price adjustments (i.e., discounts) on their bids to sell RECs to National Grid. The basis for these price adjustments is a claim that Rhode Island resources have "demonstrated measurable benefits to Rhode Island" compared to renewable generating facilities located elsewhere, such as eastern Maine, Canada, or

western New York State. The benefits cited are local expenditures and employment and price suppression. In fact, both types of benefits appear questionable.

- Obtaining RECs from RI projects may not help the local economy and could do actual harm. If one pays higher prices for RECs from local projects, that will raise rates for electricity and so reduce other spending by ratepayers. Depending on the distribution of the spending reductions, the net result can be either benefit or harm to the state economy. Without careful study it is quite difficult to tell what, if any, price premium for RECs from local projects can be justified without producing harm.
- Price suppression has limited relevance in Rhode Island because until 2010 most of the state's electricity will likely be obtained under Standard Offer supply contracts for which prices are not set based on local electricity supply costs. What will happen in 2010 and beyond is quite uncertain.

Absent better evidence, there is no basis for giving weight to either of the benefits cited in Ridgeway's letter.