



December 5, 2007

Via FedEx and Electronic Mail

Ms. Luly E. Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02889

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Rhode Island Public Utilities Commission

Re: Docket 3901 – 2008 National Grid Renewable Energy Procurement Plan

Dear Ms. Massaro:

As agreed to during the pre-hearing conference held on November 27, 2007, on which Ridgewood Power Management, LLC (“Ridgewood Power”) participated, this letter serves to provide Ridgewood Power’s comments and concerns over National Grid’s Renewable Energy Certificate Procurement Plan (the “Plan”) as it relates to the procurement of Renewable Energy Certificates (“RECs”) from **new** renewable energy sources, as provided in the Rhode Island Renewable Energy Standard (“RI RES”).¹

Generally, Ridgewood Power believes that the Plan does not support the stated purposes for the RI RES, which include among other things: (a) the development of new renewable energy resources to supply electricity to customers in Rhode Island; (b) stabilize long-term energy prices; (c) enhance environmental quality; and (d) create jobs in Rhode Island in the renewable energy sector.

National Grid’s Renewable Energy Certificate Procurement Process Must Be Transparent

Ridgewood Power believes that the lack of transparency in the Plan impedes the development of renewable energy resources to supply electricity to Rhode Island customers and the creation of jobs in Rhode Island.

The Plan National Grid has used to obtain RECs that qualify under the RI RES provides little to no information to the public, bidders or renewable energy developers on price and the terms and conditions of purchases of RI RES RECs. The only information National Grid makes available are: (a) the basic form of contract included in the bid package; and (b) the largely redacted public

¹ While it may be appropriate at a later date to consider whether similar changes and standards should be applied to the requirements relating to existing renewable energy sources, at this time Ridgewood Power feels it appropriate to limit its comments to the requirements for RECs from new renewable energy sources.

filing on accepted bids with redacted executed sales contracts. In addition, National Grid provides little information on the status of its RI RES auctions. Indeed, after having followed two auctions, Ridgewood Power and its affiliates know virtually nothing of the clearing prices or quantities for either 2007 or 2008 RI RES existing or new RECs.

Generally, financiers of renewable energy sources look at numerous factors including the average price for RECs in each of the states in which a contemplated project may qualify. In the case of projects that may be under consideration in the state of Rhode Island, it is apparent that financiers will be unable to determine what the average RI RES REC is worth and, therefore, will likely give it a zero value for purposes of determining whether a project should be financed. Consequently, projects that may further the purposes of the RES, may not be able to obtain the financing they need to be developed.

In order to overcome this lack of transparency, Ridgewood Power suggests that National Grid be required to disclose, at the end of each auction: (a) the total number of bidders; (b) the names and generating sources of the winning bidders, the quantities being delivered by each and at what prices, and those contract terms that deviate from the standard contract, if any have been accepted; and (c) the quantities and prices submitted by the losing bidders. Ridgewood Power does not believe that its proposed process would increase the price of RI RES RECs to the Rhode Island ratepayers or cause any bidders to drop out of participating in the National Grid auction. In fact, Ridgewood Power believes that this process would foster greater participation in National Grid Plan.

By way of example, Ridgewood Power suggests the Rhode Island Public Utilities Commission ("PUC") review the publicly available information concerning the Maine Standard Offer auction process for Bangor Hydro and Central Maine Power. Upon the completion of each standard offer auction, the Maine Public Utilities Commission posts on its web-site the order approving the selection of the winning bidders, along with the average winning price, the names of all winning bidders, and all exceptions to the standard contract, if any, along with the standard contract. As a result, at the end of the auction process, the public and all losing bidders know by how much they lost and what special terms and conditions were negotiated by the winners. As a result, it is possible for any potential new bidder to participate in the standard offer auction at the same level of competitiveness as all prior bidders. All new and prior bidders know at what prices the standard offer has cleared and under what contract terms.

In addition to the type of information the Maine Public Utilities Commission provides, Ridgewood Power would add: the names of the winning bidders and the exact prices and quantities bid, and with respect to losing bidders, their general bid information, so that the public and project financiers will know whether there is sufficient interest in the auction. For example, if there were only two bidders and the offered quantity was less than the maximum sought, the auction might be considered a failure. Likewise, if ten times the auction amount was offered by numerous bidders, then the auction might be deemed competitive. Since, none of these facts are currently made available, neither the public nor project financiers can fairly evaluate the success of the RI RES.

**Procurement of RI RES Certificates Should
Include Reasonable Price Adjustment Factors**

As previously mentioned, among the stated purposes for the RI RES is the development of renewable energy to serve Rhode Island customers and create Rhode Island jobs. Currently, the Plan only grants “value” to Rhode Island resources if there is a tie among two bidders, and one of those bidders is an in-state resource. Consequently, only if two identical bids are received, does the in-state renewable energy generator receive any additional consideration. Again Ridgewood Power suggests that the Plan is counter to RI RES.

The Plan should be modified to provide Rhode Island resources with price adjustments to their bids for local expenditures and energy price suppression.

By way of example: Ridgewood Power’s affiliated Maine biomass plants: (a) help suppress the Maine Zone price and, in fact, Ridgewood Power receives an average discount to the Maine Zone price of nearly 5% and nearly 15% discount to the Hub price; and (b) employ approximately 40 people directly, another 80 people indirectly and contribute annually over \$26 million to the Maine economy. On a per MWh basis, its local economy contribution, nearly \$80/MWh, exceeds by \$20/MWh its revenues from power sales. Similarly, at its affiliate’s Rhode Island landfill gas-to-electricity facilities, which are qualified for the RI RES as new renewable sources, Ridgewood Power spends over \$60/MWh on local labor, parts, materials and royalties.² Of this amount, nearly \$22/MWh are payments to State agencies or offsets of expenditures by State agencies. These moneys total annually nearly \$1 per Rhode Island citizen.

Ridgewood Power believes that **all** Rhode Island renewable energy projects³ should be granted price adjustments to their bids for local expenditures and energy price suppression in the Rhode Island Load Zone. Accordingly, for any local or state payments, the bid price should be reduced by 100% of such payments. For all other payments, the bid price should be reduced by 30% of these expenditures and for any demonstrated price suppression by 50% of that price reduction. While this may produce very low, adjusted bids,⁴ it will ensure that Rhode Island resources, which have demonstrated measurable benefits to Rhode Island, are used to satisfy the RI RES over those renewable generating facilities located elsewhere, such as eastern Maine, Canada or western New York State. Ridgewood Power believes that the economic effects of Rhode Island renewable generation, be it a wind, landfill, or tidal resource, may exceed the ACP.

² The various Ridgewood entities at the Central Landfill, Johnston, Rhode Island employ 17 persons on a full-time basis, of which a 40% of these persons’ time is charged to those facilities that are presently qualified as new renewable sources for the RI RES.

³ A project should be considered a Rhode Island project if it is physically located in Rhode Island or its first point of electrical interconnection is in Rhode Island.

⁴ Although Ridgewood’s proposal may produce low adjusted bid prices, the price paid would be the lower of the unadjusted bid price or the Alternative Compliance Payment.

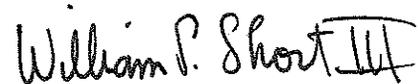
Conclusion

Based on the foregoing, Ridgewood suggests that the PUC require National Grid to re-bid its October 15, 2007 RFP for RI RES RECs. In its re-issued RFP, National Grid should be required to inform interested bidders that at least some of their bid information will become publicly available if they are selected as a supplier of RI RES RECs. In addition, National Grid should inform interested bidders that their bids will be ranked not just by the lowest price but also by the amounts by which they satisfy the four purposes of the RES. For purposes of this RFP, National Grid should use the criteria enumerated by Ridgewood Power in the preceding paragraph.

If the PUC determines that it is inappropriate to require National Grid to re-bid its October 15, 2007 RFP, it should, at a minimum, require National Grid to: (a) publicize the results of both the April RFP and the October RFP, including all of the information mentioned herein; and (b) modify the Plan to ensure that National Grid's next RFP is transparent and includes price adjustments to Rhode Island resources, as suggested by Ridgewood Power.

Please contact me at (201) 447-9000 if you have any questions.

Very truly yours,

Handwritten signature of William P. Short III in black ink.

Copy: Docket 3901 Service List (via e-mail only)