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January 18, 2008

**VIA OVERNIGHT MAIL & ELECTRONIC MAIL**

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

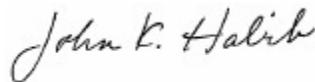
RE: National Grid Tariff Advice Filing to Amend RIPUC No. 1078-A,  
**Docket No. 3904- Responses to Commission Data Requests**

Dear Ms. Massaro:

On behalf of National Grid,<sup>1</sup> please find attached the Company's responses to the Rhode Island Public Utilities Commission's First Set of Data Requests in the above referenced docket.

Thank you for your attention to this matter. If you have any questions regarding this filing, please feel free to contact me at (617) 951-1400.

Very truly yours,



John K. Habib

Enclosures

cc: Service List, Docket No. 3904

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company").

Commission Data Request 1-1

Request:

Why has NGrid proposed a maximum aggregate amount of net metering of 5MW in proposed Tariff R.I.P.U.C. 2006, Part III.B.(2) where the statute indicates that 5MW is a minimum?

Response:

In relevant part, R.I.G.L. § 39-26-6(g)(2) requires the Commission to develop and adopt regulations to increase the aggregate amount of net metering to a minimum of five (5) megawatts (“MW”). However, this provision must be interpreted in conjunction with R.I.G.L. § 39-26-6(h), which states that:

“[t]he distribution portion of any small or large renewable credits and the distribution portion of any distribution company delivery charges displaced by renewable energy systems subject to [R.I. Gen. Laws, § 39-26-6(g)] shall be aggregated by the distribution company and billed to all customers on an annual basis through a uniform per kilowatt-hour surcharge or surcharges.”

Accordingly, distribution company customers as a whole will be responsible for the costs associated with increasing the level of net metering above the level currently in place. As such, the Company determined that R.I.P.U.C. No. 2006 should include a maximum level of net metering of five (5) MW as a conservative starting point. The Company believed that it was appropriate to start at the statutory base level until there was a determination that going above the statutory level was cost effective. Although the Company is willing to consider alternatives to the 5 MW limit, the Commission and other parties to this proceeding should consider carefully the impact on other customers when establishing the aggregate level of installed capacity.

In addition, R.I.G.L. § 39-26-6(i) requires that the Commission report to the Governor, the Speaker of the House and the President of the Senate by July 1, 2010, on the status of the implementation of the provisions of the revised statute and if the provisions are optimally cost effective, reliable, prudent and environmentally responsible. Larger renewable projects that could use up a significant portion of the 5 MW proposed (i.e., wind projects of 500 kilowatts or more), have considerable lead times for equipment purchases (as long as 2 years for some wind turbines), engineering work, and procurement of proper permits to construct. Therefore, it is unlikely that the 5 MW aggregate limit will have been reached by the time the Commission delivers its report in 2010.

Prepared by or under the supervision of: Timothy R. Roughan

Commission Data Request 1-2

Request:

How many renewable projects at 25kVA or below are currently served under Tariff R.I.P.U.C. No. 1078-A? What is the aggregate amount of net metering of these projects?

Response:

National Grid is aware of ninety-seven (97) existing installations with a capacity of 25 kilovolt-amperes or below that qualify for net metering under current tariff R.I.P.U.C. No. 1078-A with an aggregate generating capacity of 525.7 kilowatts.

Commission Data Request 1-3

Request:

How many additional existing projects does NGrid anticipate will qualify for the proposed Tariff RIPUC No. 2006, Part III.B as a result of the eligibility increase from 25kVA to 1 MW? What is the anticipated aggregate amount of net metering for these projects?

Response:

National Grid is aware of four (4) existing projects that will qualify for net metering under the provisions of proposed R.I.P.U.C. No. 2006, Part III.B. The estimated aggregate capacity of these four installations is 1,246 kilowatts. The Company has not attempted to forecast future project expansion.

Commission Data Request 1-4

Request:

How many existing projects owned by RI cities/towns or Narragansett Bay Commission (“NBC”) does NGrid anticipate will qualify for the proposed Tariff R.I.P.U.C. No. 2006, Part III.B as a result of the 1.65 MW limit? What is the anticipated aggregate amount of net metering for these projects?

Response:

National Grid is not aware of any existing projects owned by Rhode Island cities or towns with a capacity of between 25 kilovolt-amperes (“kVA”) and 1.65 megawatts which will qualify for the net metering exemption proposed in Part III.B of R.I.P.U.C. No. 2006. There are several small (<25 kVA) projects in existence that already qualify for the net metering provision of the Company’s current QF Rate.

Commission Data Request 1-5

Request:

How does the economic transaction between the customer served under Part III.B of R.I.P.U.C. No. 1078-A and proposed R.I.P.U.C. Tariff 2006 occur (please identify wholesale and retail transactions).

Response:

If a customer's generation facility is net metered pursuant to Part III.B of R.I.P.U.C No. 2006 and produces excess generation in a month, the excess generation would reduce the kilowatt-hour ("kWh") reading on the customer's meter. At the end of the month, if the customer's meter shows a net negative value (i.e., the meter read 500 kWh in the prior month and now reads 400 kWh), the negative amount will accumulate as a "generation credit" to the customer from month to month for a twelve-month period. Generation credits will be used to offset any positive meter reads (i.e., usage) for the subsequent monthly billing period. At the end of the twelve-month period, any unused credits will no longer be available to offset usage and no compensation will be paid for them.

Please see the Company's response to Commission Data Request 1-6 for a description of the impacts of the excess generation on other parties.

Commission Data Request 1-6

Request:

How does the economic transaction between NGrid and other third parties occur once NGrid acquires the electricity?

Response:

In Rhode Island, the total load for the Rhode Island Load Zone is based on the sum of all metered generation within the Rhode Island Load Zone (excluding net metered generation) and the net value of tie-line flows into the Rhode Island Load Zone.

This total load is then allocated to all load servers within the Rhode Island Load Zone (wholesale suppliers of Standard Offer Service and Last Resort Service as well as non-regulated suppliers) on a pro-rata basis based on the estimated amount of load consumed by their customers at the retail meter level.

When a net metered generator produces excess generation and exports to the system, it has the effect of reducing the total amount load for the Rhode Island Load Zone as determined by the sum of all metered generation within the Rhode Island Load Zone and the net value of tie-line flows into the Rhode Island Load Zone. Essentially, the net generator "backs off" production from other generators on the system.

Since the amount of load consumed by other customers does not change due to the excess production from the net metered generator, the amount of total load allocated to load servers is reduced, thus reducing the loads for settlement purposes at the ISO. From a settlement stand point the net generation in effect reduces the amount of losses for all suppliers in the zone.

The effects of net metered generation on various parties are as follows:

Other generators: Other generators on the system will produce less output and thus receive reduced market revenues.

Company, Standard Offer suppliers and customers: The Company will continue to make the same level of payments to its Standard Offer suppliers since those payments are based on the load consumed by customers at their retail meter point. This load consumption is not affected by the production of excess generation from a net-metered generator. Standard Offer suppliers will see reduced settlement responsibilities/costs due to the reduced load reported for settlement purposes at the ISO. Customers will not see any differences in costs since the amount paid by the Company to its suppliers is not changed.

Company, Last Resort Service suppliers and customers: The Company's payments to Last Resort Service suppliers will be reduced slightly since those payments are based on the loads that are reported to the ISO for settlement purposes. These reduced purchases will result in lower overall costs to customers.

Customers and their non-regulated suppliers: Customers are expected to make the same level of payments to their suppliers since those payments are generally based on a contract rate and the amount of consumption at the customer's meter - neither of which is affected by the production of excess generation from a net-metered generator. Suppliers will see reduced settlement responsibilities/costs due to the reduced load reported for settlement purposes at the ISO.

Commission Data Request 1-7

Request:

Referring to Section III.B (5) of the proposed Tariff R.I.P.U.C. No. 2006, stating “the distribution portion of any renewable credits and the distribution portion of any distribution company delivery charges displaced by renewable energy systems subject to Section III.B shall be aggregated on an annual basis by the Company and recovered from all customers through a uniform per kWh surcharge.” How will the Company measure the charges to be collected from all customers? Will those charges also be collected from customers served under the above-referenced Tariff?

Response:

For customers with generating facilities larger than 25 kilovolt-amperes (“kVA”), the Company will require the installation of metering capable of recording the kilowatt (“kW”) and kilowatt-hours (“kWhs”) generated by the customer’s generating facility. For facilities less than 25 kVa in capacity, the Company will estimate the customer’s usage based on industry average capacity factors (i.e., 13.5 percent for solar, 25 percent for wind, etc.) The Company will aggregate all kW and kWhs generated and/or exported as described above and apply the rates for the appropriate retail tariff to calculate the charges that the customer would have incurred from the Company had the customer not generated his own load requirements. For customers subject to the Company’s Back-up Service tariffs, only the distribution charges associated with kWhs generated in excess of the customer’s own load requirements during each month will be included with the total charges to be collected from all customers.

The Company proposes that the per kilowatt-hour surcharge be applied to all kWhs delivered, including kWhs delivered to customers eligible for net metering, consistent with R.I.G.L. § 39-26-6(h), which states that:

“[t]he distribution portion of any small or large renewable credits and the distribution portion of any distribution company delivery charges displaced by renewable energy systems subject to [R.I. Gen. Laws, § 39-26-6(g)] shall be aggregated by the distribution company and billed to all customers on an annual basis through a uniform per kilowatt-hour surcharge or surcharges.”

(emphasis added).

Prepared by or under the supervision of: Timothy R. Roughan and Jeanne A.  
Lloyd

Commission Data Request 1-8

Request:

Please identify other retail rate tariffs, if any, that will be affected by the changes made to R.I.G.L. § 39-26-6(g) and (h). For example, will the exemption for renewable on-site generation listed in R.I.P.U.C. No. 1172 be affected? If so, why and if not, why not?

Response:

The Company is not aware of any of its retail tariffs, other than R.I.P.U.C. No. 1078-A, that are affected by the changes made to R.I.G.L. § 39-26-6(g) and (h). The Company is not proposing to change the aggregate nameplate capacity limit of 3 megawatts specified in the Exemption for Renewable On-Site Generation provision in R.I.P.U.C. 1172. This provision was agreed to by the intervening parties in Docket No. 3617 and approved by the Commission in that docket. The revisions to R.I.G.L. § 39-26-6 simply alter the provisions under which certain customers with on-site generation greater than 25 kilovolt-amperes may receive payment for their excess generation. Sections (g) and (h) of R.I.G.L. § 39-26-6 make no reference to the Company's back-up service rates and no determination as to whether customers allowed to net meter under the revised law should be subject to back-up service rates.

Commission Data Request 1-9

Request:

Referring to the Second Amended Stipulation and Settlement in Docket No. 3617 (2004 Distribution Rate Plan), Section 16(B), relating to certain exemptions from backup rates, states that “for purposes of determining whether the [current] 3 MW limit has been met, on-site generation installations 25kVA or smaller that are eligible for net metering shall not be included.” How do the proposed tariff changes affect that section, if at all? If the section is not affected, please explain why not.

Response:

Section 16(B) of the Second Amended Stipulation and Settlement in Docket No. 3617 is not affected by the revisions to R.I.G.L. § 39-26-6. Please see the Company’s response to Commission Data Request 1-8.

Commission Data Request 1-10

Request:

Referring to Footnote 1 on Sheet 7 of the redlined proposed Tariff R.I.P.U.C. No. 2006, discussing the generation credits, assuming the Tariff is approved for effect February 1, 2008, could the first netting period be 22 months long? Why has the Company proposed this change? What is the effect on a customer served under the proposed Tariff?

Response:

If the Commission approves R.I.P.U.C. No. 2006 by February 1, 2008, the end of the first netting period for all customers whose facilities commenced generation before January 1, 2008 will be December 31, 2008, and will be December 31, 2009, for all customers whose generation units become operational after January 1, 2008. This means that the netting period for any individual customer will be between twelve and twenty-two months depending upon the generation commencement date of each customer's facility. The Company has proposed this change to eliminate the administrative burden of tracking individual facility generation commencement dates. The effect of this change means that any customers whose twelve-month credit would have expired under the provisions of Part III.B (2)(a) of R.I.P.U.C. No. 1078-A will be allowed to carry that credit for additional months. However, few of the Company's existing net metered accounts (with capacity < 25 kilovolt-amperes) actually generate in excess of their own requirements in any month. Therefore, the Company expects that few customers will be affected by this tariff revision.