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January 29, 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- Reply Comments**

Dear Ms. Massaro:

In response to National Grid's<sup>1</sup> December 3, 2007 Tariff Advice filing in the above-captioned docket and discussions that took place at the procedural conference on January 8, 2008, the Rhode Island Public Utilities Commission (the "Commission") issued data requests to interested parties on January 9, 2008. The data requests sought information regarding:

- the aggregate amount of installed capacity of projects, either existing or in the pipeline, that interested parties owned/operated/or have installed or planned to install in Rhode Island that utilize renewable technologies or fuel cells eligible for funding that meet the requirements of R.I.G.L. § 39-26-6(g);
- the projected timelines for any planned projects; and
- a substantiation of why and how a cap of 25 megawatts ("MW") was determined to be a sufficient aggregate amount of net metering to be allowed.

National Grid has reviewed the comments filed in response to the data requests<sup>2</sup> and offers the following reply comments. At the outset, it should be noted that National Grid

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

<sup>2</sup> The Company is in receipt of comments by: (1) the Division of Public Utilities and Carriers (the "Division:"); (2) People's Power and Light ("PPL"); (3) the January 11 Response of the Portsmouth PEDC Sustainable Energy Subcommittee (the "Town of Portsmouth"); (4) the January 15 Response of the Town of Portsmouth; (5) Portsmouth Abbey School ("Portsmouth Abbey") and (6) Joel Gates (together, the "Interested Parties").

supports the state's goals of encouraging renewable energy in Rhode Island and recognizes that there are a number of ways to achieve this policy. One of the methods of encouraging the development of renewable energy sources is to allow for net metering from certain eligible renewable energy systems. The Legislature demonstrated its support for this policy with the enactment of R.I.G.L. § 39-26-6(g). It should be recognized, however, that this policy has a direct financial impact on all other customers of the distribution company, a fact also recognized by the Legislature with the enactment of R.I.G.L. § 39-26-6(h). Accordingly, the Commission should balance the appropriate amount of net metering with the impact on other customers.

In July 2010, the Commission is required to report on the status of net-metering and whether the provisions are optimally cost-effective, reliable, prudent and environmentally responsible. The Company looks forward to working with the Commission in the meantime to establish progressive policies promoting the development of renewable energy sources in Rhode Island in a cost-effective manner.

#### Aggregate Amount of Net Metering

The first issue raised by the Interested Parties relates to the aggregate net metering cap. The Town of Portsmouth noted that it had secured funding to purchase and install a wind turbine with a nameplate capacity of 1.5 MW, and that it is expected that the successful bidder will deliver an operational system to the town late in 2008 or early in 2009. PPL's comments provided a spreadsheet of several projects, including the Town of Portsmouth project, with an aggregate capacity of approximately 21 MW. PPL's comments did not confirm the development stage or likely viability of any of the projects that it listed (See attachment to PPL Response at n.1). PPL also did not provide any information regarding the proposed timelines for any of the projects listed. Accordingly, the scope and timing of proposed distributed generation projects eligible for net metering in Rhode Island is, at best, unclear. Therefore, the record in this proceeding does not justify establishing an aggregate net metering cap of 25 MW.

As described in the Company's response to Commission Data Request 1-2, the current number of renewable projects receiving net metering is about 0.5 MW. Four additional projects known to the Company that qualify under the revised tariff would add an additional 1.2 MW. (See Company's response to Commission Data Request 1-3). However, 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. (See Company's Response to Commission Data Request 1-1). Therefore, it is unlikely that the proposed 5 MW aggregate limit will have been reached by the time the Commission delivers its report in 2010.

The Company's proposed 5 MW aggregate net metering cap is reasonable because it balances the goals of R.I.G.L. § 39-26-6(g) to expand the development of renewable distributed generation with the cost impacts on distribution customers generally. The Company's response to Division Data Request 1-1 provided an analysis of the cost impacts on distribution customers associated with a hypothetical installation of generating units and net metering with an aggregate

capacity of 5 MW. Based on a number of assumptions described in the data response, the estimated distribution charges avoided by eligible customers with 5 MW of installed capacity would be approximately \$206,641. The estimated distribution charges avoided by eligible customers with 25 MW of installed capacity are approximately \$800,000 to \$1.2 million.<sup>3</sup> Accordingly, although the Commission may determine that a higher cap on net metering is warranted, in an effort to further the expansion of net metering in a cost-effective manner, the Company believes the Commission should start with a limit of 5 MW. The Company would be pleased to work with the Commission and the Interested Parties over the next two years to determine whether increasing the aggregate amount of net metering is warranted.

### Application of Credits

Another issue raised by Interested Parties relates to the language in the Company's proposed tariff regarding the application of net metering credits. The Company's proposed tariff provides that a customer's usage and generation will be netted for a twelve-month period beginning on January 1 of each year and any negative read for a given month will accumulate as a generation credit to be applied to offset any positive meter reads for the subsequent monthly billing period (proposed R.I.P.U.C. 2006 at § III.B(1)). 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.

The Portsmouth Abbey and the Town of Portsmouth each advocated that the Company change the annual schedule for credit application to a "seasonal" schedule based on the renewable technology being utilized by a customer (*i.e.*, March 21 for solar generation and September 21 for wind generation). In order to maintain a calendar year approach, the Division recommended that, on an interim basis, the Commission require the Company to allow credits to carry over for an additional year.

National Grid recognizes the concerns raised regarding the shift to the calendar-year basis for net metering. In response, the Company accepts the Division's proposal to carry the credit forward for an additional year. The Company accepts the Division's suggestion to carry the credits forward for one year as a "trial run" to see how it works on an interim basis.

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<sup>3</sup> Furthermore, the Company's analysis does not account for the customer impact resulting from lower contributions to transmission and transition revenue from eligible net metering customers. See National Grid Response to Division 1-1.

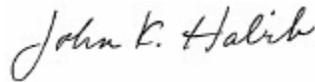
“Virtual” Net Metering

The Division, the Town of Portsmouth, Portsmouth Abbey and Mr. Gates each recommended that the Commission approve the use of “virtual” metering as a means of allowing the net metering credits associated with renewable generation facilities to apply to the load of more than one metered load source. Similar to its recommendation regarding the application of credits, the Division recommended that the Commission authorize virtual metering on an interim basis, to see how it works in practice.

While National Grid understands the concerns raised by the Interested Parties, it believes that the Commission is limited by the enacted legislation. The legislation authorizing the expansion of net metering (House 5566 Sub B (2007 Session)) does not specifically allow for virtual net metering. In fact, an earlier version of this legislation contained virtual net metering provisions (see House 5566 (2007 Session)). The enacted law does not contain such provisions. Accordingly, National Grid does not believe the Commission should require virtual net metering at this time.

Thank you for your consideration of the Company’s reply comments. If you have any questions regarding this filing, please feel free to contact me at (617) 951-1400.

Very truly yours,

A handwritten signature in cursive script that reads "John K. Habib".

John K. Habib

cc: Service List, Docket No. 3904