

KEEGAN WERLIN LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3113

—
(617) 951-1400

TELECOPIERS:
(617) 951-1354
(617) 951-0586

January 30, 2008

VIA HAND DELIVERY AND 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- Supplemental Reply Comments

Dear Ms. Massaro:

I am writing on behalf of National Grid¹ to provide brief supplemental reply comments relating to the Company's initial reply comments (the "Reply Comments") filed in this docket on January 29, 2008. In support of the Company's recommendation that the Commission support an aggregate net metering cap of 5 megawatts ("MW"), the Company cited its analysis of the estimated distribution charges avoided by eligible customers with: (1) 5 MW of installed renewable distributed generation capacity; and (2) 25 MW of installed renewable distributed generation capacity, respectively. The Reply Comments noted that these avoided costs would be approximately \$206,641 at a level of 5 MW of installed capacity and approximately \$800,000 to \$1.2 million at a level of 25 MW of installed capacity.

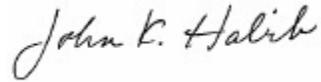
It should be noted that these estimates are annual cost impacts and that these costs will become a permanent component in distribution rates. Over even a short period of time, these costs will accumulate and represent a significant cost impact on distribution customers. Accordingly, the Company believes the Commission should start with a limit of 5 MW and determine over the coming months whether increasing that level is cost-effective.

In addition, regarding the issue of virtual net metering, the Company noted that the legislation authorizing the expansion of net metering (House 5566 Sub B (2007 Session)) does not specifically allow for virtual net metering, in contrast to an earlier version of this legislation that contained virtual net metering provisions (see House 5566 (2007 Session)). The Company is providing copies of these legislative documents as Attachments A and B, hereto.

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

Thank you for your consideration of the Company's supplemental 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". The signature is written in black ink on a white background.

John K. Habib

Enclosures

cc: Service List, Docket No. 3904

2007 -- H 5566 SUBSTITUTE B

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LC01342/SUB B
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2007

A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- RENEWABLE ELECTRIC
GENERATION

Introduced By: Representatives Segal, Handy, Ajello, Walsh, and Ginaitt

Date Introduced: February 28, 2007

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 39-26-6 of the General Laws in Chapter 39-26 entitled "Renewable
2 Energy Standard" is hereby amended to read as follows:

3 **39-26-6. Duties of the commission.** -- The commission shall:

4 (a) Develop and adopt regulations on or before December 31, 2005, for implementing a
5 renewable energy standard, which regulations shall include, but be limited to, provisions for:

6 (1) Verifying the eligibility of renewable energy generators and the production of energy
7 from such generators, including requirements to notify the commission in the event of a change in
8 a generator's eligibility status.

9 (2) Standards for contracts and procurement plans for renewable energy resources, to
10 achieve the purposes of this chapter.

11 (3) Flexibility mechanisms for the purposes of easing compliance burdens, facilitating
12 bringing new renewable resources on-line, and avoiding and/or mitigating conflicts with state
13 level source disclosure requirements and green marketing claims throughout the region; which
14 flexibility mechanisms shall allow obligated entities to: (i) demonstrate compliance over a
15 compliance year; (ii) bank excess compliance for two (2) subsequent compliance years, capped at
16 thirty percent (30%) of the current year's obligation; and (iii) allow renewable energy generated
17 during 2006 to be banked by an obligated entity as early compliance, usable towards meeting an
18 obligated entity's 2007 requirement. Generation used for early compliance must result in the

1 retirement of NE-GIS certificate in a reserved certificate account designated for such purposes.

2 (4) Annual compliance filings to be made by all obligated entities within one month after
3 NE-GIS reports are available for the fourth (4th) quarter of each calendar year. All electric utility
4 distribution companies shall cooperate with the commission in providing data necessary to assess
5 the magnitude of obligation and verify the compliance of all obligated entities.

6 (b) Authorize rate recovery by electric utility distribution companies of all prudent
7 incremental costs arising from the implementation of this chapter, including, without limitation,
8 the purchase of NE-GIS certificates, the payment of alternative compliance payments, required
9 payments to support the NE-GIS, assessments made pursuant to section 39-26-7(c) and the
10 incremental costs of complying with energy source disclosure requirements.

11 (c) Certify eligible renewable energy resources by issuing statements of qualification
12 within ninety (90) days of application. The commission shall provide prospective reviews for
13 applicants seeking to determine whether a facility would be eligible.

14 (d) Determine, on or before January 1, 2010, the adequacy, or potential adequacy, of
15 renewable energy supplies to meet the increase in the percentage requirement of energy from
16 renewable energy resources to go into effect in 2011 and determine on or before January 1, 2014,
17 the adequacy or potential adequacy, of renewable energy supplies to meet the increase in the
18 percentage requirement of energy from renewable energy resources to go into effect in 2015. In
19 making such determinations the commission shall consider among other factors the historical use
20 of alternative compliance payments in Rhode Island and other states in the NEPOOL region. In
21 the event that the commission determines an inadequacy or potential inadequacy of supplies for
22 scheduled percentage increases, the commission shall delay the implementation of the scheduled
23 percentage increase for a period of one year or recommend to the general assembly a revised
24 schedule of percentage increases, if any, to achieve the purposes of this chapter.

25 (e) Establish sanctions for those obligated entities that after investigation have been
26 found to fail to reasonably comply with the commission's regulations. No sanction or penalty
27 shall relieve or diminish an obligated entity from liability for fulfilling any shortfall in its
28 compliance obligation; provided, however, that no sanction shall be imposed if compliance is
29 achieved through alternative compliance payments. The commission may suspend or revoke the
30 certification of generation units, certified in accordance with subsection (c) above, that are found
31 to provide false information, or that fail to notify the commission in the event of a change in
32 eligibility status or otherwise comply with its rules. Financial penalties resulting from sanctions
33 from obligated entities shall not be recoverable in rates.

34 (f) Report, by February 15, 2006, and by February 15 each year thereafter, to the

1 governor, the speaker of the house and the president of the senate on the status of the
2 implementation of the renewable energy standards in Rhode Island and other states, and which
3 report shall include in 2009, and each year thereafter, the level of use of renewable energy
4 certificates by eligible renewable energy resources and the portion of renewable energy standards
5 met through alternative compliance payments, and the amount of rate increases authorized
6 pursuant to subsection (b) above.

7 (g) Implement the following changes regarding distributed generation from renewable
8 energy systems by January 1, 2008 and until January 1, 2010.

9 (1) Increase the maximum allowable distributed generation capacity for eligible net-
10 metered energy systems to one megawatt (MW); except that for eligible net-metered renewable
11 energy systems owned by cities and towns of Rhode Island and the Narragansett Bay
12 Commission, increase said maximum to 1.65 MW.

13 (2) Increase the aggregate amount of net metering to a minimum of five (5) megawatts,
14 provided that at least one megawatt is reserved for projects less than twenty-five (25) kW.

15 (h) The distribution portion of any small or large renewable credits and the distribution
16 portion of any distribution company delivery charges displaced by renewable energy systems
17 subject to subsection (g) above shall be aggregated by the distribution company and billed to all
18 customers on an annual basis through a uniform per kilowatt-hour surcharge or surcharges.

19 (i) Report, by July 1, 2010 to the governor, the speaker of the house and the president of
20 the senate on the status of the implementation of subsection (g) above and if said provisions are
21 optimally cost-effective, reliable, prudent and environmentally responsible.

22 SECTION 2. This act shall take effect upon passage.

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LC01342/SUB B
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO PUBLIC UTILITIES AND CARRIERS -- RENEWABLE ELECTRIC
GENERATION

- 1 This act would implement changes regarding distributed generation from renewable
- 2 energy systems by January 1, 2008 and until January 1, 2010.
- 3 This act would take effect upon passage.

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2007 -- H 5566

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LC01342
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2007

A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- RENEWABLE ELECTRIC
GENERATION

Introduced By: Representatives Segal, Handy, Ajello, Walsh, and Ginaitt

Date Introduced: February 28, 2007

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 39 of the General Laws entitled "PUBLIC UTILITIES AND
2 CARRIERS" is hereby amended by adding thereto the following chapter:

3 CHAPTER 26.1

4 ON SITE ELECTRIC GENERATION VIA RENEWABLE RESOURCES

5 **39-26.1-1. Definitions.** -- When used in this chapter:

6 (a) "Large renewable generation facility" means a solar-net-metering or wind-net-
7 metering facility with a generating capacity of more than one megawatt but less than or equal to
8 two (2) megawatts.

9 (b) "Large renewable generation credit" means credit equal to the excess kWhs by time of
10 use billing period (if applicable) multiplied by the distribution company's default service kWh
11 charge in the load zone where the customer is located.

12 (c) "Net metering" means the process of measuring the difference between electricity
13 delivered by an electric distribution company and electricity generated by a solar-net-metering
14 facility or wind-net-metering facility and fed back to the distribution company.

15 (d) "Small renewable generation facility" means a solar-net-metering or wind-net-
16 metering facility that has a generating capacity of not more than one megawatt.

17 (e) "Small Renewable Generation Credit" means credit equal to the excess kWhs by time
18 of use billing period (if applicable) multiplied by the sum of the distribution company's: (i)

1 default service kWh charge in the load zone where the customer is located; (ii) distribution kWh
2 charge; (iii) transmission kWh charge; (iv) transition kWh charge. This does not include the
3 DSM and Renewable kWh charges.

4 (f) "Solar-net-metering facility" means a facility for the production of electrical energy
5 that: uses sunlight to generate electricity, is located on or in the vicinity of a customer's premise,
6 and is intended to offset part or all of that customer's requirements for electricity.

7 (g) "Wind-net-metering facility" means a facility for the production of electrical energy
8 that: uses wind to generate electricity, is located on or in the vicinity of a customer's premise, and
9 is intended to offset part or all of that customer's requirements for electricity.

10 **39-26.1-2. Net metering.** -- (a) A distribution company customer that uses electricity
11 generated by a small renewable generation facility may elect net metering as per the following:

12 (1) If the electricity generated by the small renewable generation facility during a billing
13 period exceeds the customer's kilowatt-hour usage during the billing period, the customer shall be
14 billed for zero kilowatt-hour usage and the excess small renewable generation credits shall be
15 credited to the customer's account for the following billing period. The customer can elect to
16 apply any such credits earned at an account to other electric service accounts with the written
17 assent of the other account owners.

18 (2) If the customer's kilowatt-hour usage exceeds the electricity generated by the small
19 renewable generation facility during the billing period, the customer shall be billed for the net
20 kilowatt-hour usage at the applicable rate.

21 (b) A distribution company customer that uses electricity generated by a large renewable
22 generation facility may also elect net metering as per the following:

23 (1) If the electricity generated by the large renewable generation facility during a billing
24 period exceeds the customer's kilowatt-hour usage during the billing period, the customer shall be
25 billed for zero kilowatt-hour usage and the excess large renewable generation credits shall be
26 credited to the customer's account. The customer can elect to apply any such credits earned at an
27 account to other electric service accounts with the written assent of the other account owners.

28 (2) If the customer's kilowatt-hour usage exceeds the electricity generated by the large
29 renewable generation facility during the billing period, the customer shall be billed for the net
30 kilowatt-hour usage at the applicable rate.

31 (c) The distribution portion of any small or large renewable credits and the distribution
32 portion of any distribution company delivery charges displaced by the small or large generation
33 facility shall be aggregated by the distribution company and billed to all customers on an annual
34 basis through a uniform per kilowatt-hour surcharge or surcharges.

1 (d) Net metering shall be implemented using a bi-directional meter that registers both the
2 imported and exported electricity flow on an hourly basis.

3 (e) The aggregate amount of net metering will not exceed one percent (1%) of the
4 distribution company's peak load.

5 **39-26.1-3. Public utilities commission limitations. --The public utilities commission**
6 **shall not:**

7 (a) Increase the cap on eligible distributed generation system size to 1 MW.

8 (b) Remove the overall cap on collective net metered generation.

9 (c) Extend net metering to all clean distributed generation, including clean combined heat
10 and power (e.g. not just renewable energy).

11 (d) Permit transfer of credited dollars between customer accounts, formalizing procedures
12 to enable net metering customers to transfer dollars credited for net positive kWh.

13 (e) Remove annual zeroing out of customer credit (allow credit to roll forward
14 indefinitely).

15 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO PUBLIC UTILITIES AND CARRIERS -- RENEWABLE ELECTRIC
GENERATION

1 This act would eliminate the public utilities commission aggregate credit cap and stand-
2 by rates or renewable on-site electrical energy generation while establishing a regulatory process
3 for net metering.

4 This act would take effect upon passage.

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LC01342
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