

BluewaterWind

April 23, 2008

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

RE: Docket No: 3931
Least Cost Procurement Plan and System Reliability Procurement Plan

Dear Ms. Massaro:

Bluewater Wind respectfully submits the following comments in response to the Draft Proposed Standards for Energy Efficiency Procurement and System Reliability Procurement submitted to the Commission by the Energy Efficiency and Resource Management Council (Council).

These standards are to be designed to meet “electrical energy needs in Rhode Island, in a manner that is optimally cost-effective, reliable, prudent and environmentally responsible.” (Section 39-1-27.7) Further, to effectuate these purposes, the commission may establish standards and/or rates for renewable energy resources. (Section 39-1-27.7(a)(1)(iv))

We are concerned that the standards as proposed by the Council appear to not consider the full range of options available to the state in meeting the purposes of this policy. In particular, large-scale renewable energy options appear to not be addressed, even though these options should be an important part of the portfolio of energy resources available to meet Rhode Island’s energy needs cost-effectively, reliably, and with minimal environmental impact. We would ask that the standards be revised to better incorporate into the procurement plan the appropriate role for large-scale renewable energy sources.

We support the central premise of the proposed standards that energy efficiency is an integral component of these standards. We also appreciate that the Council’s proposed standards supports requirements for the utility to implement small to medium scale renewable projects for System Reliability Procurement. And we note that Section 39-1-27.8, regarding a supply procurement portfolio, as well as the state’s Renewable Energy Standard, also provide important direction regarding the procurement of renewable energy, presumably from large-scale projects. However, given the broad and critically important purposes of these standards, ranging from cost-effectiveness to environmental responsibility, the standards are not sufficient or complete

without also explicitly addressing the role of large scale renewable energy projects. Indeed, given that Section 39-1-27.8 refers back to the standards being addressed here, it is an important matter of thoughtful process and good governance that these standards be as complete as possible so that when the Commission turns to the question of supply procurement (that is, Section 39-1-27.8) at a later date, it is not necessary to back-track and separately take up the issue of large scale renewable energy sources out of context of the other sources already addressed in the standards.

Further, these standards would appear to be one of the few, if not only, means through which a comprehensive and coherent set of standards for procurement, whether supply side or demand side, may be adopted so as to best serve public policy objectives described in the legislation. Therefore, the standards should be changed to reflect the fact that large scale renewable energy projects will also have to play a critical role in furthering the purposes of System Reliability and Least-Cost Procurement as contemplated by Section 39-1-27.7, if these purposes are to be met in a cost-effective manner.

In addition to providing supply procurement benefits, large scale renewable projects – such as utility-scale offshore wind parks – can meet the following needs of system reliability and least-cost procurement, and the standards should be revised to require consideration that:

- Large scale projects provide for system reliability. Offshore wind parks provide instate generation benefits since their injection points are at substations in generally constrained locations along the coast. Moreover, since the power from these offshore, instate facilities flows from east to west, bottlenecks that may exist in and near Rhode Island are mitigated, if not avoided.
- Large scale renewable projects are cost-effective and provide for least-cost procurement.
 - Over the life of an offshore wind park, utility customers will pay less than what they would pay for the same amount of energy over the same time period from traditional – or yet-to-be-built – power sources. Rising fuel costs and improving offshore wind energy technology are hastening the day when offshore wind parks will be cost-effective from day one. Due to the scale of offshore wind parks, this cost-effectiveness (i.e., cost savings over time) equates to least-cost procurement.
 - In addition to rising fuel costs and improving wind energy technology, future environmental compliance costs that will be imposed to help combat global warming will cause rates charged by traditional fossil fuel-fired power plants to rise. These compliance costs may include carbon taxes, cap and trade costs, and Regional Greenhouse Gas Initiative compliance costs.
 - Long-term contracts between a utility and an offshore wind energy provider also serve as a hedge against rising costs from fossil fuel-fired power plants.

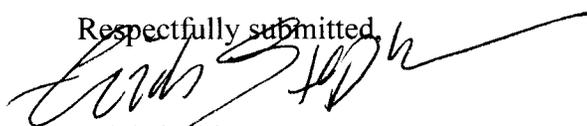
- Large scale renewable projects also provide important environmental benefits that should be considered for their corollary attributes. For example, a 450 MW offshore wind park we have proposed to serve the state of Delaware will be responsible for the following emissions avoidance as compared to a traditional fossil fuel-powered generating facility:
 - 1.35 billion pounds of carbon dioxide emissions will be avoided annually
 - 14.4 million pounds of sulfur oxides will be avoided annually
 - 5.17 million pounds of nitrogen oxides will be avoided annually(Source: "Assessment of Delaware Offshore Wind Power", University of Delaware. Dhanju, Whitaker, Burton, Tolman, and Jarvis. September 2005.)

For these reasons, Bluewater Wind respectfully requests that the Public Utilities Commission incorporate the need for large scale renewable projects as part of their Least Cost Procurement Plan and System Reliability Procurement Plan standards. We respectfully suggest that the best way to arrive at such changes would be for the Commission to direct interested parties to meet on this issue, and to return to the Commission with mutually agreeable revisions to the standard that incorporate the capabilities of large-scale renewable energy projects in achieving the legislation's public policy purposes. Bluewater Wind stands ready to expeditiously assist in formulating these revisions, in cooperation with the other parties, so that the Commission can meet its June 1, 2008 statutory deadline for issuing the standards.

An original and nine (9) copies of this letter are enclosed.

We thank the Commission for providing us with the opportunity to comment on these proposed standards.

Respectfully submitted,



Erich Stephens
Rhode Island Project Director

cc: Service list