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April 23, 2008

**VIA OVERNIGHT DELIVERY &
ELECTRONIC MAIL**

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

Re: **RI Energy Efficiency and Resource Management Council's Proposed Standards for Energy Efficiency and Conservation Procurement and System Reliability**
Docket No. 3931

Dear Ms. Massaro:

In accordance with Section 1.13 of the Rhode Island Public Utilities Commission's Rules of Practice and Procedure, enclosed please find ten (10) copies of the Comments of Cape Wind Associates, LLC regarding the above-captioned proceeding.

Thank you for your attention to this filing. Please feel free to contact me at (617) 904-3100, ext. 112 if you have any questions concerning this filing

Sincerely,

Dennis J. Duffy

Dennis J. Duffy

DJD/lrm
Enclosures

cc: Docket 3931 Service List

STATE OF RHODE ISLAND
RHODE ISLAND PUBLIC UTILITY COMMISSION

RI Energy Efficiency and Resource Management Council's Proposed Standards for Energy Efficiency and Conservation Procurement and System Reliability	)	Docket No. 3931

COMMENTS OF CAPE WIND ASSOCIATES

Cape Wind Associates, LLC ("CWA") hereby offers its initial comments on the Draft Proposed Standards for Energy Efficiency Procurement and System Reliability Procurement (the "Standards") submitted to the Commission by the Rhode Island Energy Efficiency and Resource Management Council (the "Council"). While we generally commend the Commission's submittal, we note important concerns with respect to the lack of reference to utility-scale renewable energy projects, which by their nature are the renewable projects that would meet the public objectives regarding renewable energy procurement in the most cost-effective and efficient manner.

I. INTRODUCTION

As an initial matter, we concur with the Council's recognition "that the goal of price affordability and stability is intertwined with environmental responsibility," and that "ratepayers in states that have diversified to lower carbon resources including … renewable … will benefit because they will be relying in greater proportion on sources that are either fixed price or less likely to escalate with increasing greenhouse gas related costs." We further commend the Council's call for "new strategies to make available the capital needed to implement projects" and its recommendation to evaluate portfolio cost-effectiveness according to

a Total Resource Cost test, which would include the future costs of CO2 mitigation, as well as compliance with other environmental programs. We feel it is necessary, however, to raise the following concerns and suggestions for improving the Standards so as to be more consistent with the 20006 Comprehensive Energy Act ("The Act").

II. THE STANDARDS SHOULD INCLUDE LARGER SCALE RENEWABLE PROJECTS

Section 2.2 ("Renewables") should be revised to include in all respects commercial and utility-scale renewable projects, and not just "small to medium scale" renewable projects. While Section 2.2 properly calls on utilities to "consider opportunities to integrate renewable energy resources with measurable benefits into the system reliability plan in a coordinated fashion," the listed examples at Section 2.2(a)(1) and (2) specify only "small to medium scale" renewable energy projects and "small scale distributed renewable energy projects." The addition of larger-scale projects to Section 2.2 would be entirely consistent with the legislative purposes of the Act regarding cost-effective procurement, since larger-scale renewable projects (including utility scale offshore wind projects) have the economics of scale that deliver far greater benefits of renewable energy at more competitive cost levels.

III. ECONOMIC ANALYSIS MUST INCLUDE LONG-TERM PORTFOLIO COSTS.

The Standards that should also clarify that the cost-effectiveness of renewable energy proposals will be evaluated on a portfolio basis that expressly evaluates costs and benefits over the life of the alternatives considered. Longer-term evaluation is crucially important because short-term comparisons do not capture the natural "hedge" benefits associated with the fixed pricing structures available with renewable projects, which do no face the long-term price volatility of fossil fuels. Further, the portfolio-based analysis should fully capture the tendency of renewable projects, which have no marginal fuel costs, to suppress the energy clearing prices

by displacing higher cost units from the ISO-NE dispatch process, as confirmed by the following finding of the Massachusetts Energy Facility Siting Board in its review of the Cape Wind project:

> The record shows that the wind farm will tend to reduce market clearing prices for electricity because it typically will be bid into that market at is marginal operating costs, which are close to zero, and displace power plants with higher marginal costs. The savings resulting from this displacement would accrue to electric consumers, and are estimated to be $25 million per year for New England customers, including $10 million annually for Massachusetts customers over the first five years of operation. Consequently, the Siting Board finds that operation of the wind farm would provide average annual savings of $25 million for New England customers, including $10 million for Massachusetts customers, during the first five years of operation.

MEFSB 02-2, p. 162 (2005). The analysis should also recognize the economic benefit to ratepayers of substantial reductions in demand for natural gas due to the displacement of marginal gas-fired units from the NEPOOL dispatch.

IV. THE STANDARDS SHOULD ALSO RECOGNIZE ENVIRONMENTAL AND ECONOMIC DEVELOPMENT COSTS AND BENEFITS.

We further believe that the Standards should expressly recognize and consider the environmental and economic development costs and benefits of renewable energy procurement alternatives. We note in this regard that Governor Carcieri has articulated public policy initiatives for Rhode Island to advance the foregoing factors. We further note that the Legislature has, with respect to Rhode Island's Renewable Portfolio Standard, stated the important policy objectives of environmental improvement, fuel diversity, and the development of technology and employment benefits with the state of Rhode Island. R.I.G.L. 39-26-3. Any evaluation process should thus consider the foregoing gubernatorial and legislative policy initiatives.

V. CONCLUSION

WHEREFORE, for the above-stated reason, CWA respectfully requests that the Commission grant its requests for intervention in the above-referenced docket, with all rights associated therewith.

Respectfully Submitted,

Cape Wind Associates, LLC
by: EMI Cape Wind, LLC

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Dated April 23, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated in the official service list compiled by the Secretary in this proceeding.

Dated at Boston, Massachusetts this 23rd day of April 2008.

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