

January 14, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4111 – Review of Proposed Town of New Shoreham Project
Pursuant to RI General Laws § 39-26.1-7
Responses to Data Requests**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of the National Grid's¹ responses to data requests issued by the Commission, the Division and Maggie and Michael Delia ("Delia") in the above-captioned proceeding.

In this transmittal, National Grid is providing a response to Commission 3-3; responses to the Division's Second of Data Requests and responses to Delia's First Set of Data Requests.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (781) 907-2121.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4111 Service List
Leo Wold, Esq.

¹ Submitted on behalf of The Narragansett Electric Company d/b/a National Grid ("Company").

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been electronically transmitted, sent via U.S. mail or hand-delivered to the individuals listed below.



Joanne M. Scanlon

January 14, 2010
Date

**National Grid – Review of Proposed Town of New Shoreham Project
Docket No. 4111 - Service List Updated 1/14/2010**

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Commission Data Request 3-3

Request:

Referencing Commission Data Request 2-3, please indicate when National Grid expects a Transmission Cable Purchase Agreement to be completed and ready for submission to the Commission.

Response:

National Grid does not have a specific date by which it expects to have a Transmission Cable Purchase Agreement completed; however, the Company believes it is reasonable to expect a final contract by the end of March, provided there are no unexpected complications that arise.

Division Data Request 2-1

Request:

R.I.G.L. 39-26.1-2 provides the definition of “commercially reasonable” for purposes of evaluating the terms and pricing associated with newly developed renewable energy resources. Additionally, regarding the New Shoreham project, R.I.G.L. 39-26.1-7 states that “Negotiations shall proceed in good faith to achieve a commercially reasonable contract.” Does National Grid believe that the terms of the Purchase Power Agreement between itself and Deepwater Wind Block Island, LLC, filed with the PUC for approval on December 9, 2009 meet the requirements of the statutory definition of “commercially reasonable” and if so, please state each and every fact which supports your response.

Response:

If the Commission applies the “commercial reasonableness” standard to this power purchase agreement to determine whether it should be approved, National Grid believes it is commercially reasonable in the context of a limited demonstration project that was statutorily capped at eight wind turbines. Because of the statutory limitations, Deepwater was not able to achieve the economies of scale to lower the unit cost of the power. Moreover, National Grid does not have a list of facts to support this conclusion. Rather, there is no precedent for this project. Given these considerations, National Grid believes that it has negotiated the best power purchase agreement possible, that also allows Deepwater a reasonable opportunity to finance the project.

It is important to note, however, that it also is National Grid’s view that the terms and pricing in all respects do not represent what an experienced power market analyst would expect to see in transactions involving newly developed renewable projects generally, where the limitations and complexities associated with an off-shore wind demonstration such as this are not present.

Division Data Request 2-2

Request:

Please state the rate per kWh of purchased energy from Deepwater in each year of the contract. Please include in the response the annual rate per kWh both including and excluding consideration of Grid's incentive payment, as per R.I.G.L. 39-26.1-4.

Response:

The unit pricing for each year of the contract is shown in dollars/megawatt hour in Exhibit 9 to the pre-filed testimony of Madison N. Milhous, Jr. Attachment DIV 2-2-1 is a schedule that translates this unit pricing to a rate per kWh.

The compensation or "incentive payment" to National Grid that is authorized by R.I.G.L. 39-26.1-4 has no effect on the unit pricing under the agreement. Rather, National Grid pays Deepwater the unit price shown in the schedule. The compensation to National Grid is calculated each calendar year, based on the actual total amount paid to Deepwater in the calendar year, and flowed through distribution rates when the costs of the agreement are recovered from customers each year. The design of the rate implemented to recover the compensation from customers would be determined at the time of cost recovery. The attachment to Commission Data Request 2-1 included an estimate of the total amount of the annual compensation, or "Financial Remuneration", for each year, commencing in 2013 based on the annual estimate of the Contract Cost shown in Exhibit 9. For purposes of answering this data request, Attachment DIV 2-2-2 includes these estimates in Column C, and also shows in Column D, a rate that assumes the estimated annual compensation is recovered on a per kWh basis from customers.

Deepwater Wind PPA

(A) Calendar/ Contract Year	(B) Unit Pricing for Bundled Energy		(C)
	\$/MWh	Cents/kWh	
2012	235.75	23.57	
2013	244.00	24.40	
2014	252.54	25.25	
2015	261.38	26.14	
2016	270.52	27.05	
2017	279.99	28.00	
2018	289.79	28.98	
2019	299.94	29.99	
2020	310.43	31.04	
2021	321.30	32.13	
2022	332.54	33.25	
2023	344.18	34.42	
2024	356.23	35.62	
2025	368.70	36.87	
2026	381.60	38.16	
2027	394.96	39.50	
2028	408.78	40.88	
2029	423.09	42.31	
2030	437.90	43.79	
2031	453.22	45.32	
2032	469.09	46.91	

**Narragansett Electric Company
Deepwater Long-Term Power Contact
Incentives**

	8 WTG	28.8 MW	12/09/2009	PPA	
	Statutory Capacity		11.5 MW		
	Annual Output		100915		MWh
Line No.	Year	Contract Cost	Incentive @ 2.75%	Incentive Recovery per kWh	
	(A)	(B)	(C)	(D)	
1	2013	\$ 24,623,040	\$ 677,134	\$0.00008	
2	2014	\$ 25,484,846	\$ 700,833	\$0.00008	
3	2015	\$ 26,376,816	\$ 725,362	\$0.00008	
4	2016	\$ 27,300,004	\$ 750,750	\$0.00009	
5	2017	\$ 28,255,504	\$ 777,026	\$0.00009	
6	2018	\$ 29,244,447	\$ 804,222	\$0.00009	
7	2019	\$ 30,268,003	\$ 832,370	\$0.00010	
8	2020	\$ 31,327,383	\$ 861,503	\$0.00010	
9	2021	\$ 32,423,841	\$ 891,656	\$0.00010	
10	2022	\$ 33,558,675	\$ 922,864	\$0.00011	
11	2023	\$ 34,733,229	\$ 955,164	\$0.00011	
12	2024	\$ 35,948,892	\$ 988,595	\$0.00012	
13	2025	\$ 37,207,103	\$ 1,023,195	\$0.00012	
14	2026	\$ 38,509,352	\$ 1,059,007	\$0.00013	
15	2027	\$ 39,857,179	\$ 1,096,072	\$0.00013	
16	2028	\$ 41,252,181	\$ 1,134,435	\$0.00013	
17	2029	\$ 42,696,007	\$ 1,174,140	\$0.00014	
18	2030	\$ 44,190,367	\$ 1,215,235	\$0.00014	
19	2031	\$ 45,737,030	\$ 1,257,768	\$0.00015	
20	2032	\$ 47,337,826	\$ 1,301,790	\$0.00016	

21
22
23
24

Forecasted Annual kWh Deliveries - 8,106,768,760 each year.

Division Data Request 2-3

Request:

Please provide the estimated total incentive payments, as per R.I.G.L. 39-26.1-4 that National Grid would earn under the contract with Deepwater.

Response:

Please see Attachment DIV 2-2-2 to Division Data Request 2-2. Column C shows the total incentive payments that National Grid would earn for each year of the contract, based on all of the assumptions reflected in the forecast of contract payments.

Division Data Request 2-4

Request:

Please explain whether it is accurate that the above-market costs of the power, estimated in Mr. Milhous' exhibit 9 to be more than \$390 million over the 20 year contract term, will be passed on to all of Narragansett Electric's distribution customers through a non-bypassable surcharge to be placed on Narragansett's electric bills. Please explain how the above-market costs will be recovered by Narragansett Electric.

Response:

Yes. The actual annual above-market costs would be recovered from all distribution customers annually in distribution rates through a uniform fully reconciling annual factor that is non-bypassable. Whether the rate is rolled into other distribution charges or stated separately on customer bills would be determined by the Commission at the time of recovery.

Division Data Request 2-5

Request:

Please explain whether it is accurate that in addition to the above market power costs noted in question 4, Rhode Island ratepayers will pay approximately \$105 million over the contract term associated with the revenue requirement associated with the cable between New Shoreham and the mainland.

(Note: The \$105 million is based on the total of the annual revenue requirements as per DET-1, p.1.)

Response:

Yes. However, it is important to note that the annual revenue requirement set forth in Exhibit DET-1 was illustrative, based on an assumption that the cable cost would be at the midpoint of the estimated range of \$35 million to \$50 million. The actual amount recovered will depend upon the actual cost incurred, which could be lower or higher than the illustrative estimate shown on the exhibit.

Division Data Request 2-6

Request:

Please explain whether National Grid has had any discussions with the Block Island Power Company (BIPCO) regarding BIPCO purchasing any of the power from National Grid that National Grid will have acquired through its contract with Deepwater. If so, please provide and / or describe all such communications and discussions. Additionally, please state whether National Grid is aware of any interest that BIPCO may have in making such an acquisition and if so the details of any such interest.

Response:

No. National Grid has not had any communications or discussions with BIPCO regarding BIPCO purchasing any of the power from National Grid that National Grid will have acquired through its contract with Deepwater. National Grid is not aware of any such interest expressed by BIPCO.

Division Data Request 2-7

Request:

Has National Grid had any discussion with Block Island Power Company (BIPCO) regarding the construction of the Transmission Cable on Block Island? If so, please provide and / or describe all such communications and discussions.

Response:

No, not directly. However, please see the response to Division Data Request 2-8.

Division Data Request 2-8

Request:

Has National Grid had any discussion with Block Island Power Company (BIPCO) regarding BIPCO's use of the Transmission Cable to deliver power from the mainland to Block Island? If so, please provide and / or describe all such communications and discussions.

Response:

Yes. National Grid attended a scoping meeting and conference call on September 17, 2009 for the System Impact Study associated with the Block Island Wind Project at which a BIPCO representative was on the call. Attached is a copy of the meeting agenda that identifies the topics that were discussed. See also the response to Division Data Request 1-6.

Block Island Wind Farm Project Scoping Meeting Agenda

Date & Time: September 17, 2009, 10:00 AM - Noon

Logistics: Conference call number 1-866-819-1583; participant code 1206117#

1. Introductions - **All**
2. Goals of Meeting and Approval of Agenda - **All**
3. Description of Generation and Interconnection Configuration - **Block Island Wind Farm**
4. Description of transmission and local distribution system including potential reliability issues or challenges such as over loads, voltage levels, short circuit current levels, stability, etc.- **National Grid, Block Island Power, ISO-NE**
5. Discussion of existing studies that should be considered - **All**
6. Discussion of Bulk Power System Criteria - **ISO-NE**
7. Discussion of Feasibility Study versus System Impact Study - **ISO-NE**
 - Capacity Network Resource Interconnection (CNRI) vs. Network Resource Interconnection (NRI)
 - Overlapping impact analysis
 - At risk expenditures
8. Discussion of who will be parties to the study agreement and how they should be listed – **All**
 - Arrangements for Block Island Power Company participation
9. Discussion of proposed plan application approval process (I.3.9) - **ISO-NE**
10. Discussion of need to contact ISO-NE Customer Services about metering, communications circuits, remote access gateway (rig), financial assurance, paperwork, database updates, etc. - **ISO-NE**
11. Discussion of project team members for each party and communication protocol - **ISO-NE**
12. Discussion of low voltage ride through requirements - **ISO-NE**
13. Next Steps - **All**
14. Adjournment

Meeting Attendees

- **Block Island Wind Farm Participants**
Clint Plummer
- **National Grid (NGrid) Participants**
Ed Kremzier, Slobodan Pajic, Ryan Shields, Frank Carro and Chris Worme
- **Block Island Power Company (BIPCO) Participants**
Clifford McGinnes Sr.
- **ISO-NE Participants**
Kwame Andoh and Phil Legrow

Delia Data Request 1-1

Request:

In its October 15th filing to the Commission, National Grid stated that the PPA, "in pure financial terms", is uneconomic by a significant margin for Rhode Island customers for the entire term." Is the pricing in the current signed PPA cited no longer uneconomic by a significant margin?

Response:

The pricing contained in the signed PPA that National Grid filed with the Commission on November 18, 2009, is uneconomic in the sense that it is still above-market; however, it is significantly lower than the pricing contained in the unsigned PPA that the Company filed with the Commission on October 15, 2009. It is the Company's belief that there are valid policy reasons to move forward with a small-scale off-shore wind project notwithstanding the premium that would be paid for the power generated by the project.

Delia Data Request 1-2

Request:

What are the specific "other special considerations" cited on page 7 of National Grid's Milhous testimony?

Response:

In the legislation on long-term contracting for renewable energy, the Legislature specifically included a provision for a project to be located off the coast of Block Island that included a transmission cable to the mainland of Rhode Island. See R.I.G.L. Section 39-26.1-7.

Delia Data Request 1-3

Request:

Please cite references in the "recently passed legislation" referred to on Page 7 of National Grid's Milhous testimony, where "it was singled out".

Response:

See R.I.G.L. Section 39-26.1-7.

Delia Data Request 1-4

Request:

Referring to National Grid's Milhous testimony page "development of this project" (referring to the preceding "small demonstration project") "will result in the installation of a transmission cable to Block Island". In the event that only the larger is it National Grid's understanding that DWW has no obligation to provide the transmission cable to Block Island?

Response:

It appears that there may be a typographical or other error in the question. As a result, the Company is not sure that it understands the question. If the question is rephrased, the Company will attempt to answer it.