

January 27, 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 Commission Data Requests – Set 4**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of the National Grid's¹ responses to the Commission's Fourth Set of Data Requests issued on January 22, 2010, in the above-captioned proceeding.

In this transmittal, National Grid is providing responses to the following Commission Data Requests: Commission 4-2, Commission 4-3, Commission 4-4, Commission 4-5, Commission 4-6, Commission 4-7, and Commission 4-9. The Company's responses to the Commission's remaining Data Requests will be forthcoming.

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 27, 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 4-2

Request:

Will the Transmission Cable Purchase Agreement be for a fixed price?

Response:

No. We are expecting the agreement to be a cost-plus arrangement with a cap. But this is still subject to negotiations.

Commission Data Request 4-3

Request:

How can National Grid take delivery of power at a point outside of its service territory? What are the potential cost impacts on rates of such an arrangement, particularly if there are regional market rule changes?

Response:

This happens all the time under the ISO-New England open access transmission tariff. There is no need to have the generation source in the service territory to purchase the power. Typically, the delivery point under power purchase agreements is the point at which the power from the generation source reaches the transmission system.

There is no impact on the rates under current rules for this project; however, there will be line losses factored into the calculation. The Company cannot predict any market rule changes, but does not expect the current rule to be materially altered.

Commission Data Request 4-4

Request:

Given the fact that the Delivery Point under the PPA is on Block Island, please indicate how the PPA will operate if the Commission ultimately denies approval of a Transmission Cable Purchase Agreement or denies approval of an amendment to the PPA under Section 8.5 of the PPA.

Response:

As a practical matter, National Grid believes that the project could not go forward and the PPA would terminate.

Commission Data Request 4-5

Request:

R.I.G.L. § 39-26.1-5 requires National Grid to immediately sell the energy purchased under Long-Term Contracts into the market and to sell RECs through competitive solicitations. The PPA does not include a transmission cable to the mainland, but rather, refers to an agreement to be reached later. Please identify all PPAs entered into by any d/b/a National Grid companies that do not have a transmission line to the ultimate destination?

Response:

There are none.

Commission Data Request 4-6

Request:

If New England Power Company was to build and operate a transmission line between Block Island and the mainland absent a wind farm proposal, what would be the timeline for such construction from planning to operation?

Response:

National Grid does not have a definitive timeline to share, due to many factors that are not known at this time. Those factors include the process of acquiring land, easements, and permits. In addition, unlike other major construction projects where National Grid begins planning well in advance of the need date, this transmission project emerged through legislation in June of 2009. This makes this project highly unusual.

National Grid has other experience from which it may put in context the degree of difficulty for a project of this type. Specifically, National Grid's Massachusetts affiliate built a project of similar scope to the island of Nantucket in 2006, involving the construction of a 46kV distribution cable system to the island. This was the second of two cables to the island. The cable lengths are as follows:

- Submarine Cable: 27 Miles
- Barnstable UG Cable: 4.3 miles
- Nantucket UG Cable: 1.5 miles

The major milestones for this second Nantucket Cable project were:

- Planning Studies 2001 - 2003
- Public outreach began February 2003
- Permitting process December 2003
- Construction began January 2005
- Permit Window for cable installation was Oct 15th to Jan 15th
- System placed in-service April 2006

The time from beginning public outreach to in-service was 38 months.

Commission Data Request 4-6 (cont.)

The original budget for this Nantucket Cable system was \$38M. It was revised to \$41M, once the actual bids for the submarine cable procurement/installation were received. The final project cost was \$42.3M.

We have no way of knowing whether permitting in Rhode Island will be able to occur on a faster schedule. The Nantucket project was not controversial in Massachusetts. Yet, it took over three years to complete.

Commission Data Request 4-7

Request:

Referencing Commission 2-2: At what price point for each energy and RECs would National Grid seek Commission approval to utilize the energy and RECs to satisfy Standard Offer and RES obligations, respectively?

Response:

The Company has not yet determined how the mechanism would work. Rather, such a mechanism would need to be developed. However, the Company expects that it would identify an appropriate objective market reference to assure that the market value of the energy and RECs was being properly credited to customers. This could be the average price paid for RECs and energy at the given time or another reference point yet to be determined.

Commission Data Request 4-9

Request:

Mr. Hashway of EDC argues that “Stability in pricing provides a hedge against upward fluctuations in price, which can spur investment and economic development.” How much would energy prices have to fluctuate upwards in order for the PPA pricing to provide a hedge against upward fluctuations in price that would be to the benefit of customers.

Response:

If we are understanding Mr. Hashway’s point correctly, it appears that the market price of electricity would have to exceed the price paid under the power purchase agreement. For example, in 2013, the bundled price of power would have to exceed \$244 MWhr or 24.4 cents per kWh, for the pricing under the contract to function as a beneficial hedge in that year.