Thomas R. Teehan
Senior Counsel

June 10, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02889

RE: Docket 4150 - Long-Term Contracts for Renewable Energy Projects
<u>National Grid Post-Hearing Brief</u>

Dear Ms. Massaro:

I have enclosed ten (10) copies of National Grid's[1] Post-Hearing Brief in the above-captioned proceeding.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,

Thomas R. Teehan

Enclosure

cc: Docket 4150 Service List
Leo Wold, Esq.
Steve Scialabba, Division

[1] Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company")

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically and/or sent via U.S. Mail to the individuals listed below. Ten (10) copies of this filing were hand delivered to the RI Public Utilities Commission.

____________________________________ June 10, 2010

Joanne M. Scanlon Date
National Grid

Docket No. 4150 National Grid – Long-Term Contracting for Renewable Energy Projects Pursuant to R.I.G.L. Section 39-26.1 et seq.
Service List updated 5/19/10

Name/Address	E-mail Distribution	Phone/FAX
Thomas R. Teehan, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Thomas.teehan@us.ngrid.com Joanne.scanlon@us.ngrid.com	401-784-7667 401-784-4321
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov Dstearns@ripuc.state.ri.us Sscialabba@ripuc.state.ri.us Mtobin@riag.ri.gov dmacrae@riag.ri.gov	401-222-2424 401-222-3016
Richard Hahn LaCapra Associates One Washington Mall, 9th floor Boston, MA 02108	rhahn@lacapra.com	
Michael McElroy, Esq. Schacht & McElroy PO Box 6721 Providence RI 02940-6721	McElroyMik@aol.com Timothy.daniels@constellation.com Daniel.W.Allegretti@constellation.com Joseph.Donovan@constellation.com	401-351-4100 401-421-5696
File an original & nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Lmassaro@puc.state.ri.us Cwilson@puc.state.ri.us Nucci@puc.state.ri.us Anault@puc.state.ri.us ADalessandro@puc.state.ri.us DShah@puc.state.ri.us	401-780-2017 401-941-1691

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RHODE ISLAND PUBLIC UTILITIES COMMISSION

Long-Term Contracts for Renewable Energy Projects Docket No. 4150

POST-HEARING BRIEF OF THE NARRAGANSETT ELECTRIC COMPANY D/B/A NATIONAL GRID REGARDING LONG-TERM CONTRACTING FOR RENEWABLE ENERGY

INTRODUCTION

This brief is being provided by National Grid to address some very important issues relating to the amount of discretion that the law provides National Grid in performing its responsibility to enter into long term contracts for renewable supply. Specifically, R.I.G.L. §39-26.1-3 has certain provisions designed to allow National Grid to exercise good judgment on behalf of its customers, such that the Company would not be forced to enter into long term contracts that do not appear to be in the customers' best interest. One means is to assure that the Company could not be required to enter into contracts for more than 25% of the 90 MW minimum contracting capacity in any year. Another is to provide a general definition of commercial reasonableness that does not make any exceptions for any specific technologies. Finally, another is to leave the Company without any artificial constraints in analyzing the economic effects and financial benefit being provided to developers in its determination of commercial reasonableness. Yet, these three significant elements of discretion are being challenged by Constellation, to the significant detriment of customers.

It is imperative that the Commission interpret the law to avoid handing to developers a legal entitlement to force National Grid to make commitments that are not in the interest of customers. Yet, that is what Constellation has advocated in this case. Their position that the Commission should read into the law a special requirement to enter into a given amount of solar in any year would simply give Constellation a right to litigate if they are not pleased with any decision National Grid makes, should National Grid decide not to choose a solar project in this first RFP phase.

Similarly, Constellation asks to have the Commission impose a special commercial reasonableness standard for solar that does not exist in the statute, by insisting that solar projects be compared only to other solar projects. Such a position could conceivably require National Grid to enter into long term solar contracts that far exceed what is reasonable. This view is not in the best interest of customers and should be rejected. The Commission should not stack the deck in such a way that it virtually assures high solar bids. If solar bidders know in advance that they will be compared only to solar, there is absolutely no incentive on their part to sharpen their pencils. Even if a project can make a competitive bid, knowing that their only competition is solar will remove the incentive to bid aggressively. Thus, Constellation's position is not only inconsistent with the statute, but it is contrary to the interest of customers.

Finally, the Company has stated a willingness in its RFP to consider REC-only bids. In doing so, National Grid is mindful that a renewable generator can take advantage of net metering and the cross-subsidies that net metering customers obtain from all distribution customers. If a project developer is financing a renewable project by selling RECs and using the cross-subsidy of net metering to finance the rest, it is imperative that National Grid be able to take that into account in evaluating the economics of a REC-only bid. All customers will have to pay for the lost distribution revenue resulting from a customer who installs over-sized renewable generation that off sets substantial portions of the distribution bill. Whether customers fund the project through the net metering subsidy, or fund the project through direct payments for bundled energy, capacity, and RECs, the cost is the same. To turn a blind eye to the actual economic effects of the entire project on distribution rates defies economic logic and is clearly not in the best interest of customers.

In sum, Constellation is proposing three alterations to the RFP that would eliminate common sense financial analysis and erode important discretionary decision-making of the Company. These positions should be rejected.

DISCUSSION

I. The Long-Term Contracting Standard for Renewable Energy does not establish a minimum annual contracting level for solar/photovoltaic energy resources.

The Commission should not read into the long-term contracting standard an exclusive requirement for a minimum amount of solar contracting in any given year. There is no such requirement in the statute. To the contrary, the statute safeguards customers by prohibiting the Company from being required to enter into more than 25% of the 90 MW minimum contracting capacity in any given year. Constellation's arguments attempt to turn these safeguards on their head with an interpretation that would transform the statutory protection against requiring contracts exceeding the 25% figure into a requirement that that figure be exceeded in the exclusive interest of solar/PV contracts.

The statutory protections against requiring that the Company enter into contracts are twofold. The minimum long-term contract capacity of 90 MW is an aggregate number, and at no time under the statute can the Company be required to enter into contracts that would exceed it. R.I.G.L. §39-26.1-3(c)(1). Secondly, in any given year, the Company cannot be required to enter into contracts that would exceed 25% of that aggregate amount. R.I.G.L. §39-26.1-3(c)(2). The statute mentions no minimum amount of solar/PV contracting that is required in any given year, but only that 3 MW of the aggregate 90MW amount must eventually be solar or photovoltaic projects. R.I.G.L. §39-26.1-2 (7).

If the Ridgewood landfill gas contract receives the necessary agency certifications, it will account for about 30.3 % of the minimum long-term contract capacity—well in excess of the 25 % statutory ceiling for 2010. [1] However, under Constellation's interpretation of the long-term contracting standard, the Company would be required to enter into solar/PV contracts notwithstanding the statutory protection against such a result. Such an interpretation misconstrues the controlling statutory provisions and would dismantle the statutory protections that were constructed to protect customers by ensuring that the Company would be free to decide not to enter into additional contracts at that time.

In any event, the Company has indicated that it intends to conduct the July 1, 2010 solicitation, and it will make a decision regarding additional long-term contracts after the bids (including solar/PV bids) are received. It is premature for the Commission to bind its hands and the Company's hands during this first year of the solicitation process. Rather, the Commission should follow the legislature's clear intent to allow the Company, subject to Commission review, to exercise its best judgment on behalf of its customers as the process unfolds.

[1] Company Response to Commission Data Request 1-1.

II. The evaluation of solar bids should not be restricted to comparing solar projects against other solar projects.

The Company believes that the appropriate method for determining the commercial reasonableness of solar proposals should not be limited exclusively to a comparison with other solar projects, but should include, as enunciated in the Deepwater proceeding, a comparison with other renewable energy projects generally. Accordingly, the process of analyzing solar/PV proposals should include a consideration of other solar and non-solar renewable generation projects. There is no good reason to limit the analysis to a solar-only comparison.

It is no surprise that Constellation would promote an approach that would have the effect of lessening the competitive pressures on solar bids. As a practical matter, restricting the analysis of solar bids to a comparison with other solar projects would relieve solar bidders from even attempting to compete with other renewable pricing. The long-term standards simply do not limit the review of solar/PV contracts to an exclusively solar-to-solar comparison. Instead the statute plainly applies a “commercially reasonable” standard to all long-term renewable energy contracts. R.I.G.L. §39-26.1-3. Finally, the Company submits that at this early stage, before the bids have even been received, the Commission need not artificially suppress the competitive pressures that would drive lower solar bids, but should wait until the solicitation results are received and bids are selected.

III. The solicitation should require usage data for long-term REC-only contracts that utilize net metering.

While the Company would allow REC-only contracts to be bid as part of its solicitation, it has proposed that for REC-only contract bids from projects that would utilize net metering, the bidders must provide all usage data from the prospective customer location.

This is because a REC-only bid for a project that would utilize net metering would not only be supported by the long-term contract for RECs, but it would also be taking advantage of the net metering subsidy under which the annual amount of the distribution component of any renewable generation credits from net metering would be billed to all customers in their distribution rates. R.I.G.L.§39-26-6(h). This subsidy is part of the overall economics of the project and under the Company's approach would be taken into account in analyzing the project's total cost to customers. It would allow for an apples-to-apples comparison between the pricing from those projects and the pricing bid by other renewable energy generation projects.

IV. Conclusion

In summary, National Grid reasserts that the long-term contracting statute does not mandate an annual minimum component of solar/PV contracting. Instead the statute protects customers from excessive costs by affirmatively assuring that in any given year the Company cannot be required to enter into contracts that would exceed 25% of the aggregate 90 MW minimum long-term contract capacity. Once the annual contracting ceiling is reached, the Company cannot be required to enter into additional long-term contracts. With respect to REC-only contracts, although the Company supports including such contracts as one method of pricing, it would also require that those bids include usage data from the prospective customer location in order to reflect any financial benefits that will ultimately impact the costs of the project to customers. Finally, the Company repeats its opposition to artificially restricting the competitive nature of the bidding process by limiting analysis of solar/PV contracts to comparison with other solar projects.

The Narragansett Electric Company
d/b/a National Grid
By its attorneys,

/s/ Celia B. O'Brien

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Thomas R. Teehan (RI Bar 4698)
Celia O'Brien (RI Bar 4484)

Dated: June 10, 2010