

July 16, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4185 - Review of Amended Power Purchase Agreement Between Narragansett Electric Company d/b/a National Grid and Deepwater Wind Block Island, LLC Pursuant to R.I. Gen. Laws § 39-26.1-7
Responses to Commission and Toray Plastics (America) & Polytop Corp. Data Requests (Set 1)**

Dear Ms. Massaro:

Enclosed please find an original and twelve (12) copies of National Grid's¹ responses to the Commission's First Set of Data Requests and Toray Plastics (America) ("Toray") and Polytop Corp.'s ("Polytop") First Set of Data Requests, both issued on July 6, 2010 in the above-captioned proceeding. In this transmittal, the Company is enclosing responses to Commission Data Requests 1-1, 1-2 and 1-4, as well as responses to Toray/Polytop Data Requests 1-6 through 1-23.

The Company's responses to Commission Data Requests 1-3, 1-5, 1-6, and 1-7 as well as responses to Toray/Polytop Data Requests 1-1 through 1-5 will be forthcoming.

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,



Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4185 Service List
Steve Scialabba, Division
Leo Wold, Esq.

¹ The Narragansett Electric Company d/b/a National Grid ("National Grid" or "the Company").

Commission Data Request 1-1

Request:

The Grid response to Division data request 1-1(a) states there is no standard of prudence included in the PPA's verification and Reconciliation Provision. What then, is the appropriate standard that would be used to verify costs?

Response:

The verification agent will determine whether the costs were actually incurred in constructing the project, supported by documentation, and whether there were any errors in calculating the costs. This is consistent with the statute that required an amendment to the PPA that provided for the costs to be certified and verified for accuracy.

Commission Data Request 1-2

Request:

In light of Grid's response to Division Data Request 1-8 that there is no prudence standard outlined in the statute or the PPA, how are Rhode Island ratepayers protected from "gold-plating" of the project in the event that the developer could have reasonably reduced costs to, for example, \$155,403,513 but chose not to, and incurred total facility costs of, for example, \$210,403,512?

Response:

Customers of National Grid are protected because the project developer takes the entire risk of the total project cost exceeding the base cost upon which the pricing was established, even if the costs incurred above the base were prudently incurred. Consistent with the Company's understanding of the statute, the purpose of the price reduction mechanism was not designed to mimic regulatory ratemaking, where all prudently incurred costs are recovered from customers. Rather, it was designed to give customers of National Grid the benefits of any savings that may be incurred below the base, while at the same time protecting customers from price increases that would otherwise be caused from higher cost incurrence, even if those higher costs were prudently incurred.

Commission Data Request 1-4

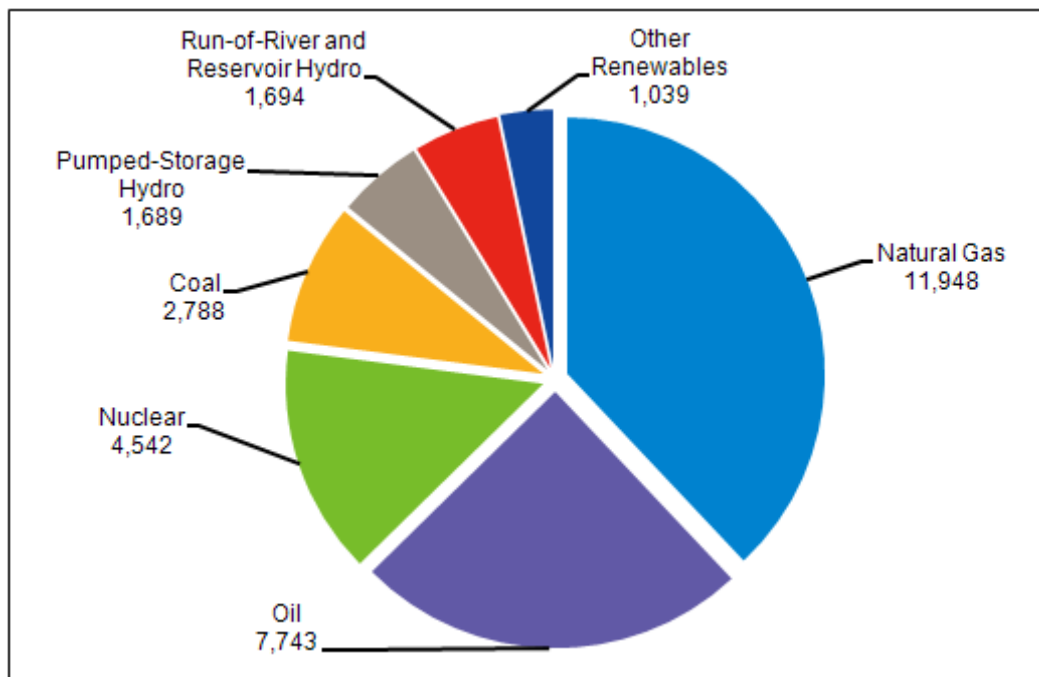
Request:

Please provide the most recent New England system resource mix.

Response:

The figures below were taken from the ISO-NE 2009 Markets Report which can be found at the following link: http://www.iso-ne.com/markets/mktmonmit/rpts/other/amr09_final_051810.pdf
The first chart shows installed capacity (MW) by fuel type; the second chart shows the percentage of annual energy generated by each fuel type.

Figure 3-16: System summer capacity by fuel type, 2009.



Commission Data Request 1-4 (cont.)

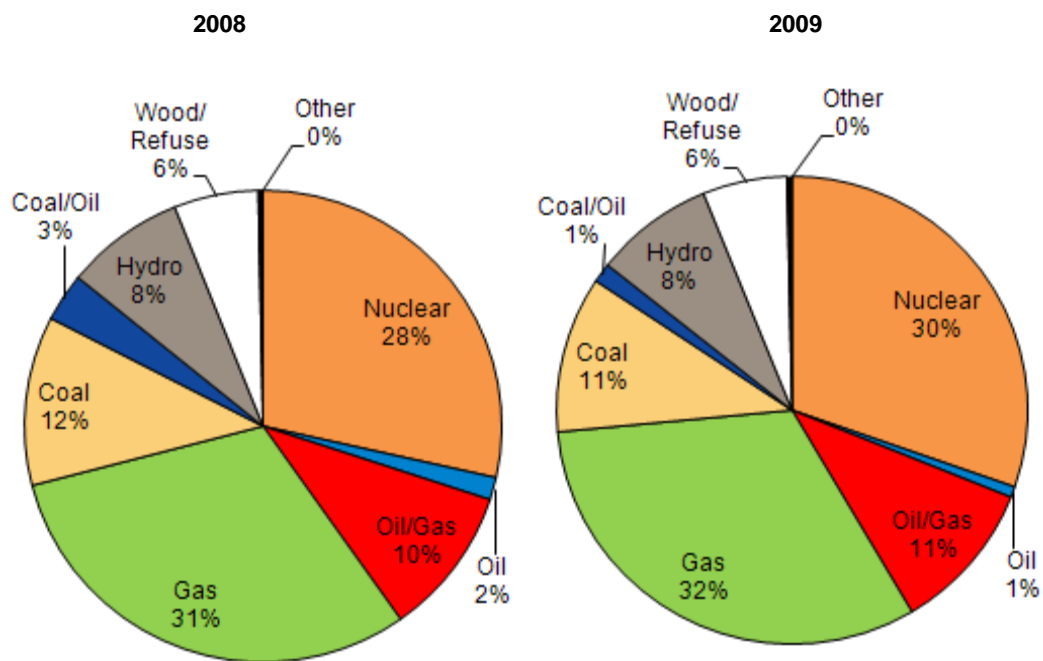


Figure 3-17: New England generation by fuel type, 2008 and 2009.

Commission Data Request 1-4 (cont.)

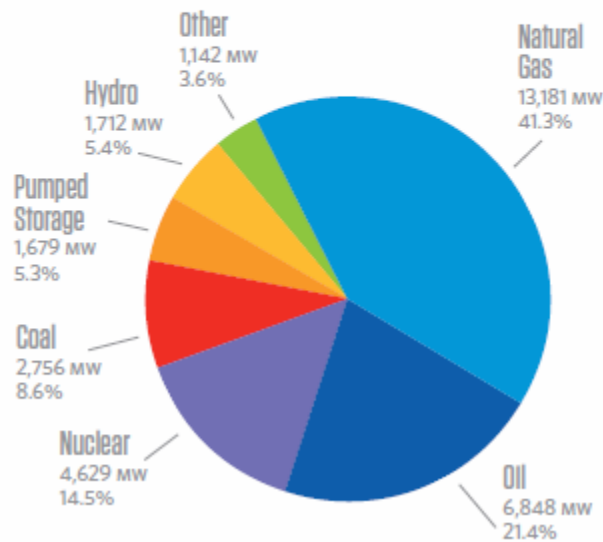
A more recent chart showing installed capacity by fuel type is taken from the 2010 Regional Electricity Outlook, which can also be found at the following link:

http://www.iso-ne.com/aboutiso/fin/annl_reports/2000/2010_reo.pdf

Installed Generation Capacity in New England by Primary Fuel Type

(Summer 2010)

Total = 31,950 MW



Prepared by or under the supervision of: Madison N. Milhous, Jr.

Toray Plastics (America) & Polytop Corp. Data Request 1-6

Request:

Do you concede that Deepwater Wind will have the opportunity to earn a profit on this project? If you do not so concede, please explain why. What is your best estimate of that profit over the life of the PPA?

Response:

National Grid objects to the form of the question. Without waiving that objection, the Company responds as follows:

National Grid assumes that the Deepwater investors would not agree to make an investment in this project unless they could earn a return that is commensurate with what investors in this type of project would expect. Further, National Grid assumes that Deepwater would not be able to finance the project unless it earned a return high enough to support financing. National Grid has not attempted to estimate the return. However, in reviewing Deepwater's financial model, National Grid confirmed that the model estimated an unlevered internal rate of return of 10.5%. See also the response of Deepwater to Division Data Request 1-4 in this docket.

Toray Plastics (America) & Polytop Corp. Data Request 1-7

Request:

Do you concede that Toray and Polytop and other similar situated companies will be paying more for distribution services from National Grid, but will not be financially benefiting from the PPA? If you do not so concede, please explain why.

Response:

National Grid objects to the form of the question. Without waiving that objection, the Company responds as follows:

No. All customers benefit from the advancement of renewable energy policy.

Toray Plastics (America) & Polytop Corp. Data Request 1-8

Request:

Please explain your understanding of the rationale behind Deepwater Wind retaining half of the benefit if more wind than anticipated by the parties to the PPA is available pursuant to the wind out performance adjustment credit. Please explain why (if you so contend) all of the benefit from the excess wind should not benefit the ratepayers 100% in the same manner that all of the cost savings are required to benefit the ratepayers 100%.

Response:

The rationale for the wind performance sharing was for Deepwater to retain an incentive to operate the project efficiently in order to produce excess power from which customers could benefit at the discounted price. The provision requiring 100% of the construction cost savings being retained for customers was specified by law.

Toray Plastics (America) & Polytop Corp. Data Request 1-9

Request:

Please explain why, if you so contend, you feel the PPA is commercially reasonable when it imposes substantial additional annual and 20-year distribution costs on Toray and Polytop and similarly situated companies who receive no financial or other benefits from these payments.

Response:

National Grid objects to the form of the question. Without waiving that objection, the Company responds as follows:

The mere fact that the PPA will result in above market costs being incurred is not a consideration in determining whether the PPA is commercially reasonable, as such term is defined in the statute.

Toray Plastics (America) & Polytop Corp. Data Request 1-10

Request:

Please explain why, if you so contend, that the requirements of R.I.G.L. § 39-26.1-7(e), which states that “all realized savings [shall be] allocated to the benefit of ratepayers” and “any realized savings shall reduce such price” do not require that 100% of the savings generated by wind resources in excess of that anticipated in the PPA are not required to accrue 100% to the benefit of ratepayers. Please explain why, if you so contend, the wind out performance adjustment credit, which apportions only 50% of the benefit to the ratepayers, complies with the law.

Response:

National Grid objects to the question which calls for a legal conclusion. Without waiving that objection, the Company responds as follows:

The provision referenced in section 39-26.1-7(e) is limited to savings that can be achieved in the actual cost to construct the project. The wind performance credit has nothing to do with the cost to construct the project and is not governed by this provision.

Toray Plastics (America) & Polytop Corp. Data Request 1-11

Request:

Please explain how you believe that the PPA will facilitate new and existing business expansion for Toray and Polytop and other similarly situated businesses.

Response:

National Grid objects to the question. Without waiving that objection, the Company responds as follows:

National Grid has no opinion as to whether the PPA will facilitate new and existing business expansion.

Toray Plastics (America) & Polytop Corp. Data Request 1-12

Request:

Do you concede that the impact of substantial distribution electricity price increases to Toray and Polytop and other similarly situated businesses is likely to discourage new and existing business expansion for Toray and Polytop and other similarly situated businesses? If not, please explain why.

Response:

National Grid objects to the form of the question. Without waiving that objection, the Company responds as follows:

No. National Grid does not have an opinion regarding any impact the PPA might have on Toray and Polytop.

Toray Plastics (America) & Polytop Corp. Data Request 1-13

Request:

Please explain how you feel that the PPA, with its financial impact on Toray and other similarly situated businesses located at the Quonset Business Park, will encourage further development of those businesses or will discourage further development of those businesses and explain your reasoning.

Response:

National Grid objects to the form of the question. Without waiving that objection, the Company responds as follows:

National Grid has never maintained that the PPA will either encourage or discourage further development of those businesses.

Toray Plastics (America) & Polytop Corp. Data Request 1-14

Request:

Please explain how many new full time, permanent jobs will be created by the PPA related solely to the Town of New Shoreham project.

Response:

National Grid has not formed an opinion on this issue identified in the question.

The Narragansett Electric Company
d/b/a National Grid
Docket 4185
Review of Amended Power Purchase Agreement
Deepwater Wind Block Island Project
Responses to Toray Plastics (America) & Polytop Corp.
Data Requests – Set 1
Issued July 13, 2010

Toray Plastics (America) & Polytop Corp. Data Request 1-15

Request:

Please provide any information you have regarding the federal grants totaling more than \$22 million awarded to the state to support improvements to the port facilities in Quonset Point. In particular, please provide any and all grant applications as well as any and all grant awards and identify what portion, if any, of those grants are earmarked for port improvements related solely to the Town of New Shoreham project.

Response:

National Grid has no such information.

The Narragansett Electric Company
d/b/a National Grid
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Data Requests – Set 1
Issued July 13, 2010

Toray Plastics (America) & Polytop Corp. Data Request 1-16

Request:

Please provide any information you have regarding federal grants totaling more than \$3.7 million awarded to the state for federal work force training and new energy related jobs. In particular, please provide any and all grant applications as well as any and all grant awards and identify what portion, if any, of those grants are earmarked solely for training related to the Town of New Shoreham project.

Response:

National Grid has no such information.

Toray Plastics (America) & Polytop Corp. Data Request 1-17

Request:

Please provide any information you have, including any and all supporting documentation that identifies any interest shown by any of the world's largest manufacturing companies regarding locating factories in Rhode Island for wind turbine assembly or submarine cable manufacturer or related business activities.

Response:

National Grid has no such information.

Toray Plastics (America) & Polytop Corp. Data Request 1-18

Request:

Please explain how the Town of New Shoreham project will create new direct jobs.

Response:

National Grid has not formed an opinion on this issue identified in the question.

Toray Plastics (America) & Polytop Corp. Data Request 1-19

Request:

Please explain how the Town of New Shoreham project will have a multiplier effect on the local economy.

Response:

National Grid has not formed an opinion on this issue identified in the question.

Toray Plastics (America) & Polytop Corp. Data Request 1-20

Request:

Please explain and provide any documentation for Deepwater Wind's claim in its letter of July 1, 2010 to the RI Public Utilities Commission that approximately 105,000 mwh of electricity produced by the Block Island wind farm will allegedly displace an equivalent amount of electric energy from both (a) the inefficient diesels now supplying Block Island, and (b) the least efficient and costly to operate conventional generating units operating on the margin in the regional generating system. Please provide supporting backup for these claims to the extent it exists.

Response:

National Grid objects to the question that asks the Company to explain and document Deepwater's claim. Without waiving that objection, the Company responds as follows:

See National Grid's response to Data Request 1-22.

Toray Plastics (America) & Polytop Corp. Data Request 1-21

Request:

Please provide any information, including documentation you have, that indicates that there will be indirect economic benefits in the form of wholesale electric price suppression effects as a result of the Town of New Shoreham project.

Response:

National Grid has not attempted to estimate a price suppression value from this project. However, there would be some price suppression that would occur. An estimate was provided by Deepwater in docket 4111. See the pre-filed testimony of David P. Nickerson at page 4 of 50, line 6.

Toray Plastics (America) & Polytop Corp. Data Request 1-22

Request:

Please quantify and provide any supporting information if any exists if you claim that the Town of New Shoreham project will create direct economic benefits by reducing the emission of particulates, NO_x, SO₂, CO₂.

Response:

National Grid has not attempted to quantify the amount of emissions that will be avoided from this project. However, there will be times when kilowatt-hours produced by the wind turbines will displace emissions from fossil fuel generation resources in the region. Further, to the extent the Town of New Shoreham is interconnected to the transmission cable between the mainland and Block Island and Block Island Power Company makes purchases from the New England energy market instead of running its diesel units on the island, there will be emissions reductions to some degree that National Grid has not quantified.

Toray Plastics (America) & Polytop Corp. Data Request 1-23

Request:

Have you polled or otherwise surveyed or studied commercial and industrial users of electricity in Rhode Island to determine what the whether the impact of the distribution rate increases will have a positive or a negative effect on facilitating new and existing business expansion and/or provide other economic development benefits? If so, please provide the results of any such studies. If not, please explain why no such studies have been performed.

Response:

National Grid objects to the form of the question. Without waiving that objection, the Company responds as follows:

No. National Grid has not performed such studies or surveys. National Grid does not see a necessity to perform such studies or surveys.

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted, hand delivered and/or mailed to the individuals listed below.



Joanne M. Scanlon

July 16, 2010
Date

National Grid – Review of Proposed Town of New Shoreham Project
Docket No. 4185 – Service List Updated 7/15/10

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