

November 4, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4277 - Distributed Generation Enrollment and Enrollment Process Rules Responses to Commission Data Requests (Set 4)

Dear Ms. Massaro:

Enclosed are National Grid's¹ responses to the Commission's Fourth Set of Data Requests issued on October 28, 2011 in the above-referenced proceeding.

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

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 4277 Service List
Steve Scialabba
Leo Wold, Esq.

¹ The Narragansett Electric Company d/b/a National Grid.

Commission 4-1

Request:

Please provide the specific section of the Distributed Generation Standard Contracts Act (“DG-SCA”) which supports Section 6 of the Application (“Financial/Legal”). Include specifically the section of law within DG-SCA which provides the Company with the authority to require this information of distributed generation owners/applicants as a condition of enrollment.

Response:

R.I.G.L. 39-26.2-6(a) specifically requires that the enrollment application allow for "additional information relative to the permitting, *financial feasibility*, ability to build, and timing of deployment of the proposed projects." (Emphasis added.) The information requested in Section 6 of the Application is required to demonstrate the financial viability of the projects. Also, please see responses to Commission 1-7 and 4-5.

Prepared by or under the supervision of: Corinne M. Abrams

Commission 4-2

Request:

Please provide a detailed explanation of why Section 6 of the Application (“Financial/Legal”) is necessary to the Company’s evaluation process.

Response:

Financial viability is a key consideration in determining whether a project is likely to be deployed. It is important to understand if the project has access to debt and equity financing, and to identify specific plans for financing, if possible, as a factor in evaluating the ability to build in the 18 month timeline, or a shorter timeline, if proposed.

Prepared by or under the supervision of: Corinne M. Abrams

Commission 4-3

Request:

Please respond to the arguments that 1) DG-SCA does not require DG owners/applicants to prove their projects will economically benefit the state of R.I. and 2) the Company has misconstrued one of the policies of DG-SCA, “stimulate economic development”, to mean that the Company must require each DG owner/applicant to prove that the proposed project will economically benefit the state of R.I.

Response:

Section 39-26.2-9 of The Distributed Generation Act states that "standard contracts entered into pursuant to this chapter shall be treated for all purposes as long-term contracts entered into under the provisions of the long-term contracting standards for renewable energy found in chapter 26.1 of title 39 of the general laws, and all such provisions shall apply to such contracts." That statute requires "all approved projects, regardless of their location, shall provide other direct economic benefits to the State of Rhode Island, such as job creation, increased property tax revenues or other similar revenues deemed substantial by the commission." When developing the Enrollment Application, National Grid concluded that as a minimum there should be some documentation of economic benefit and recognition of this benefit in non-price scoring.

Prepared by or under the supervision of: Corinne M. Abrams

Commission 4-4

Request:

The Company states in its response to Commission 1-1, that it will “take the role of Project Sponsor in the FCM, and take the necessary steps to qualify Large DG projects in the FCM in the first qualification period after commercial operation is achieved.” Does this mean the Company’s role of Project Sponsor in the FCM will be limited to the first qualification period after commercial operation, or will the Company’s role as Project Sponsor continue for the duration of the standard contract?

Response:

The Company’s role as Project Sponsor in the FCM will continue for the duration of the contract term for every Capacity Commitment Period in the Forward Capacity Market starting with the first qualification period after commercial operation is achieved.

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

Commission 4-5

Request:

Please respond to the argument that the Company's proposed scoring evaluation system, referenced in Sections 2.3 and 2.4 and Schedule 3 of the Company's DG Enrollment Application/Process Rules, exceeds the DG-SCA's requirement contained in R.I.G.L. 39-26.2-6(b) that "for small distributed generation projects, the electric distribution company on a first come, first-come first-served basis, shall enter into standard contracts at the applicable standard contract ceiling price with any distributed generation project which meets the requirements of all applicable tariffs and regulations, and meets the criteria of a renewable energy class in effect, until the class target is met."

Response:

R.I.G.L. 39-26.2-6(a) specifically requires that the enrollment application allow for "additional information relative to the permitting, financial feasibility, ability to build, and timing of deployment of the proposed projects." Further, R.I.G.L. 39-26.2-6(d) states "if there are more projects than what is specified for a class target at the same price, the electric distribution company shall review the applications submitted and select first those projects that appear to be furthest along in development and likely to be deployed. Those projects likely to be deployed on the earliest timeline shall be selected."

There is no reason to believe that the above language applies only to large projects. The four sections R.I.G.L. 39-26.2-6(a) through (d) read together indicate what types of information are to be provided in an application, and how that information is to be utilized to discriminate among projects when the nameplate capacity of submitted projects exceeds the target, and price alone cannot discriminate. Small projects are by definition at the same price, since all would receive the ceiling price for the class.

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

Commission 4-6

Request:

Please respond to the argument that the Company's proposed scoring evaluation system, referenced in Sections 2.3 and 2.4 and Schedule 3 of the Company's DG Enrollment Application/Process Rules, exceeds the DG-SCA's requirement contained in R.I.G.L. 39-26.2-6(c) that "for large distributed generation projects, the electric distribution company shall select projects for standard contracts based on the lowest proposed prices received, but not to exceed the applicable standard contract ceiling price, provided, that the selected projects meet the requirements of all applicable tariffs and regulations, and meet the criteria of a renewable energy class in effect until the class target is met."

Response:

See response to Commission 4-5.

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

Commission 4-7

Request:

Referring to Schedule 3 (“Project Evaluation and Scoring Methodology”), the very last sentence states, “National Grid reserves the right to reject any project not receiving a minimum score in the non-price evaluation, regardless of the completion date or pricing.” Doesn’t this provision allow the Company to circumvent the express provisions contained in R.I.G.L. 39-26.2-6(b) and R.I.G.L. 39-26.2-6(c)?

Response:

National Grid believes that this provision is consistent with the provisions of the statute cited in this data request, particularly when read together with the provisions found in R.I.G.L. §39-26.2-6(a) and (d). The purpose of this provision is to cover the possibility that one of several submitted projects, with a total nameplate capacity less than the class target, may have submitted an enrollment application which does not provide a credible basis for selection. While this situation may be unlikely, the provision would prevent such a project from using part of the target, even if there is remaining “headroom” in that target.

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

Commission 4-8

Request:

Referring to the Company's response to Commission 2-7, the Company states, "National Grid does not believe that the performance guarantee alone would be effective in that regard, nor does the Company believe that this was the intent of the statute, which clearly requires evaluation of projects on the basis of schedule for completion and likelihood of successful deployment."

- (a) Is it the Company's position that R.I.G.L. 39-26.2-6(a) authorizes the company to use the following information as a *condition* of enrollment: permitting, financial feasibility, ability to build, and timing for deployment of the proposed projects?
(Emphasis added)
- (b) Is it the Company's position that R.I.G.L. 39-26.2-6(a) authorizes the company to use the following information as a *condition* of enrollment: the project owner's identity, the project's proposed location, nameplate capacity, and renewable energy class?
(Emphasis added)

Response:

Providing the information referred to in part (a) is not necessarily a *condition*, since the section requires that the application *allow* for additional information relative to the permitting, financial feasibility, ability to build, and timing for deployment..." To the extent that an applicant failed to provide this information, the application would not be considered incomplete, but the scoring for the project would clearly be affected.

The conclusion that the information referred to in part (b) is a *condition* could be drawn from the language in this section, i.e. "applications shall *require* the applicant to provide the project owner's identity, the project's proposed location, nameplate capacity, and renewable energy class. An application missing this information would not be complete.

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

Commission 4-9

Request:

Is the Company's stating in Commission 1-7 that the information requested in Appendix A (DG Standard Contract Enrollment Application) will be used only in circumstances where there are more projects than what is specified for a class target at the same price?

Response:

No. The basic information requested in Sections 1-4 of is required to evaluate the project's eligibility and its role in achieving the targets. This information includes, for example, the project class, the date of initial operation, project capacity, location and point of interconnection, and annual energy production.

The balance of the information requested in Appendix A will be used to distinguish between different projects when the amount of nameplate capacity exceeds the specified target for a given class. Further, as described in the response to commission 4-7, the information could also be used to reject an application for which a minimum non-price score was not attained. This could be the case, even if the target nameplate capacity had not been reached for a particular class. It is not feasible to establish such a score in advance, as non-price scoring, as a general matter, is often driven by how projects compare on a relative basis. It would be expected, however, that some projects could clearly rank well below others in the same, or similar classes.

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

Commission 4-10

Request:

If the answer to No. 9 is yes, then is the Company willing to include this caveat in Appendix A (DG Standard Contract Enrollment Application)?

Response:

Language has been added to the application to make it clear that projects will be ranked within each class and target. If any additional clarification is required, the Company is willing to provide it.

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

Commission 4-11

Request:

The Company references Chapter 26.1 of the R.I. General Laws in Section 1.1 and Schedule 3 of its DG Enrollment Application/Process Rules. Section 1.1 states, "...National Grid is conducting this enrollment in accordance with the Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy..." Likewise, Schedule 3 states, "Non-price scoring is the same methodology employed National Grid in the initial competitive solicitation, and documented in the report on that solicitation, filed with the RI PUC on April 11, 2011."

Is it the Company's position that the enrollment process for distributed generation standard contracts should be governed by the same solicitation process approved by the Commission in Docket 4150? Why/why not?

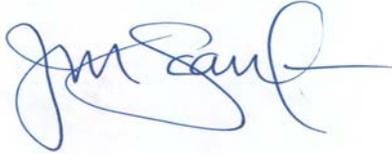
Response:

No. It is reasonable, however, to build on that experience, and use modified elements of that process to evaluate the enrollment applications. Specifically, the non-price scoring is similar to that used in the solicitation process; however, the data requirements in Appendix A have been streamlined. Price scoring for the larger projects is based on the difference between the submitted price and the ceiling price, rather than a comparison to a market price forecast. Similarly, a score was developed to compare projected completion dates for projects.

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

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

November 4, 2011
Date

Docket No. 4277 – National Grid – Distributed Generation Enrollment Application & Enrollment Process Rules - Service List as of 11/3/11

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