



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

November 17, 2011

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

**Re: OFFICE OF ENERGY RESOURCES
DISTRIBUTED GENERATION CEILING PRICES
DOCKET NO. 4288**

Dear Ms. Massaro,

Enclosed for filing with the Commission are an original and nine (9) copies of the Responses of the Division of Public Utilities and Carriers to the Commission's First Set of Data Requests in the above matter.

Thank you for your attention to this matter.

Very truly yours,

Jon G. Hagopian
Special Assistant Attorney General

cc: Service List (e-mail only)

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

**IN RE: R.I. OFFICE OF ENERGY RESOURCES' :
PROPOSED DISTRIBUTED GENERATION : DOCKET 4288
STANDARD CONTRACT, CLASSES AND :
CEILING PRICES :**

**RESPONSE OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO THE
PUBLIC UTILITIES COMMISSION'S FIRST SET OF DATA REQUESTS**

Commission Data Request 1-1

At the 11/09/11 technical session, the Division consultant noted that changes in modeling assumptions, as described in the Division's Comments (10/26/11) and the OER's Response to the Commission's 2nd Set of Data Requests (2-14 through 2-17) could result in changes to the proposed DG ceiling prices. Please explain the potential differentials for each of the proposed technology/size class ceiling prices if those modeling assumptions were changed to address the concerns raised by the Division's consultant.

Division Response 1-1

The Division's comments suggested three possible changes to the assumptions and calculation of ceiling prices: (1) use of the ceiling prices assuming that tax benefits are realized as generated, (2) removal of the annual lease payments that were assumed in the OER's CREST model runs, and (3) inclusion of state grants, such as those made available by the renewable energy fund. The table below summarizes the impact on ceiling prices of each of these assumptions (and collectively) for each technology/size class.

		Prices as Filed (cents/kwh)	Differentials (cents/kWh)			
			Tax Benefits Realized As Generated	No Required Lease Payments	Inclusion of State Grants	All Changes
Solar	10-150kW	33.35	-0.50	-1.20	-3.20	-4.90
	151-500kW	31.60	-0.45	-1.70	-3.20	-5.35
	501-5000kW	28.95	-0.40	-2.40	-3.10	-5.90
Wind	1.5 MW	13.35	-0.20	0.00	-1.90	-2.10

To evaluate the impact of these assumptions the Division consultant revised the CREST model assumptions for the various conditions outlined above. The results are presented below. The

work papers provided by OER included a complete set of models for each of the tax benefit scenarios described in (1) above so no changes were made to those assumptions.

To adjust the land lease assumptions (2), the Division consultant edited the "Inputs" worksheet, Cell G43 for solar. The CREST models used to calculate the wind COE values utilized the "Simple" operations and maintenance method, which is equivalent to assuming no lease payments, so no changes were made.

To adjust the state grant assumptions (3), the Division consultant edited the "Inputs" worksheet, Cell Q48 for solar and Q47 for wind. To develop the values for the state grant levels, the Division consultant assumed that \$2 million was available for projects, the approximate level of funding for renewable projects awarded under the REF program in 2009.¹ This value was divided by 10 MW nameplate, the average annual minimum enrollment specified in the DG-SCA to yield a value of \$200/kW. Actual grants may differ from this level, but the important point is that receipt of state grants, at levels comparable to average grant levels received by Rhode Island projects in the past, can have significant impacts on required ceiling prices.

Prepared by: Alvara E. Periera, Ph.D.
Managing Consultant, LaCapra Associates

¹ *RI Renewable Energy Development Fund: Annual Financial and Performance Report*. Rhode Island Economic Development Corporation. March 1, 2010.

Commission Data Request 1-2

Based upon the answer to question 1 above, assuming price differentials exist, please calculate the potential additional costs or savings to ratepayers if the OER's 2011 proposal is fully implemented using these modified ceiling prices. Please assume that the proposed technology and size classes are fully enrolled, meeting each of the proposed targets in 2011.

Division Response 1-2

The table below shows the differences in ratepayer costs between the OER's 2011 proposal for ceiling prices and use of the different modeling assumptions discussed in our response to Commission's first data request in this set. Data are for Year 1 and will decrease over time with decreases in project output (due to the CREST assumption of 0.5% annual degradation).

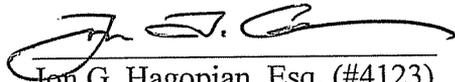
		Tax Benefits Realized As Generated	No Required Lease Payments	Inclusion of State Grants	All Changes
Solar	10-150kW	-\$3,151	-\$7,563	-\$20,169	-\$30,884
	151-500kW	-\$5,740	-\$21,683	-\$40,815	-\$68,237
	501-5000kW	-\$10,267	-\$61,600	-\$79,567	-\$151,434
Wind	1.5 MW	-\$6,570	\$0	-\$62,415	-\$68,985
Total		-\$25,728	-\$90,846	-\$202,966	-\$319,540

For this calculation, the Division consultant assumed that target levels were met and the capacity factors used in the OER's CREST model runs to calculate Year one energy production. These figures are reproduced below:

		Year One kWh
Solar	10-150kW	630,283
	151-500kW	1,275,456
	501-5000kW	2,566,680
Wind	1.5 MW	3,285,000

Prepared by: Alvara E. Periera, Ph.D.
 Managing Consultant, LaCapra Associates

Thomas Ahern, Administrator
State of Rhode Island
Division of Public Utilities and Carriers
By his attorney,



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Dated: November 17, 2011

CERTIFICATION OF SERVICE

I hereby certify that on the 17th day of November, 2011, I transmitted an electronic copy of the within Response to Data Requests to the attached service list and to Luly Massaro, Commission Clerk via electronic mail and regular mail.



**Docket No. 4288 – Office of Energy Resources Filings: 1) Proposed Distributed Generation (DG) Standard Contract Act Classes and Ceiling Prices for 2011; and 2) Proposed DG Standard Contract
Service List updated 11/10/11**

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