

To: Rhode Island Division of Public Utilities and Carriers  
From: Al Pereira & Dick Hahn – La Capra Associates, Inc.  
Re: Distributed Generation Standard Contracts Act - Ceiling Prices and Class Targets for 2013  
Date: December 28, 2012

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In this memo, we summarize the results of our review of the ceiling prices filed by the Rhode Island Office of Energy Resources (“OER”) on November 29, 2012. In general, we believe that the 2013 prices and class targets are reasonable. We identify one aspect of the filing - the assumed capital costs of wind projects (for the 1.5 MW subclass) - that warrants further supporting justification.

The Act requires NGRID to enter into aggregate standard contracts for at least 40 MW nameplate of Distributed Generation (“DG”) projects according to a four-year schedule.

- 5 MW in 2011 (one enrollment round)
- 15 MW in 2012 (three enrollment rounds)
- 10 MW in 2013 (three enrollment rounds)
- 10 MW in 2014 (three enrollment rounds)

Through the 2011 enrollment round and the first two enrollment rounds of 2012, NGRID has contracted with sixteen projects totaling 16.2 MW of the 20 MW cumulative 2012 year-end target. The third and final enrollment round of 2012 was not held, and OER proposes to increase the 2013 allocation by 3.8 MW to 13.8 MW total from 10 MW to achieve a cumulative total by year end of 30 MW. This 2013 target of 13.8 MW will be solicited in three enrollment rounds of 4.6 MW each.

A category for anaerobic digestion DG technology has been added. OER has revised the proposed ceiling prices for 2013. A price has been added for hydro projects, but no specific class target for this DG technology is proposed for 2013. The price is intended as a benchmark to inform potential hydro developers. A class target for hydro will be considered for the 2014 enrollments. Attachment I to this memorandum contains a copy of Exhibit A from the OER filing that shows the revised ceiling prices and class targets totaling 4.6 MW per enrollment. We find the 2013 class targets to be reasonable.

Ceiling prices for 2013 were generally determined in the same manner as were the 2011 /2012 prices, but with updated assumptions. The Production Tax Credit (“PTC”), a tax benefit for certain renewable energy technologies, is scheduled to expire at the end of 2012. Although the PTC has been extended in the past, there is no guarantee that it will be extended again. Two sets of ceiling prices are provided for wind, anaerobic digestion, and hydro: one price assuming the PTC expires and another price assuming the PTC is extended. Given the large impact that the

PTC can have on the financial viability of a renewable energy project, this approach of having two prices is reasonable.

Ceiling prices for 2013 solar DG projects are 10% to 14% below the 2011 /2012 prices. This change is largely driven by declining installed costs for solar. We believe that the solar capital costs used to determine the 2013 ceiling prices are reasonable. The 2013 ceiling price for wind DG projects (for the 1.5 MW subclass) is 26% higher than the 2011 /2012 price. This is largely driven by an increase in the assumed installed cost for a 1.5 MW wind project to \$3,200 per KW from \$2,750 per KW. We also note that the capital cost for this subclass is higher than that of the 750kW subclass, which was not included in the 2012 DG filing). This increase does not comport with our experience in reviewing wind projects, and we submitted data requests seeking the basis for the increase. As of the writing of this memo, responses to those questions have not been received. When received, those responses will be reviewed for adequate justification of the wind capital costs.

Attachment I  
Summary of 2013 Proposed Ceiling Prices and Class Targets

*Exhibit A to OER Report and Recommendation on 2013 Distributed Generation Classes, Ceiling Prices, and Targets (November 29, 2012)*

**EXHIBIT A**

Rhode Island Office of Energy Resources  
Recommended Target Classes, Ceiling Prices, and Targets (Allocations) for the  
2013 Distributed Generation Standard Contracts Program

OER recommends that National Grid conduct three (3) enrollments in 2013 and award 4.6 MW of projects in each enrollment, for a total of 13.8 MW of Distributed Generation projects in 2013.

Recommended Technology Classes and Targets (Allocations)

<u>Technology &amp; Class</u>	<u>Small DGSC Enrollment Program</u> <u>Allocation (kW/MW)</u>
Wind: 50 kW - 1.5 MW	1.5 MW
Small Solar PV: 50-100 kW	300 kW
Small Solar PV: 101-250 kW	250 kW
Small Solar PV: 251-500 kW	750 kW
Anaerobic Digestion: 400-500 kW	500 kW

<u>Large DGSC Enrollment Program</u>	<u>Allocation (kW/MW)</u>
Large Solar PV: 501 kW and above and Anaerobic Digestion: 501 kW and above	1.3 MW total <sup>5</sup> (for 2 technologies)
<b>Total MW</b>	<b>4.6 MW</b>

Recommended Ceiling Prices (¢/kWh), by Technology Class

<u>Technology, sub-class</u>	<u>2013 Proposed Ceiling Price w/PTC</u>	<u>2013 Proposed Ceiling Price w/o PTC</u>
Solar, 501 kW+	24.95	N/A
Solar, 251 – 500 kW	28.40	N/A
Solar, 101 – 250 kW	28.80	N/A
Solar, 50 – 100 kW	29.95	N/A
Wind, 1 – 1.5 MW	16.80	18.60
Wind, 200 – 999 kW	18.15	19.95
Wind, 50 – 100 kW	24.65	N/A
AD, 400 kW – 500 kW	18.55	19.55
AD, 501 kW and above	18.55	19.55
Hydro, 500 kW – 1 MW	17.90	18.85

<sup>5</sup> Subject to increase as explained in OER's Report of November 29, 2012.