



NORTHEAST SUSTAINABLE ENERGY ASSOCIATION

October 24, 2011

VIA U.S. MAIL AND EMAIL

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

Dear Ms. Massaro,

I am writing on behalf of the Northeast Sustainable Energy Association to submit comments on Rhode Island Public Utilities Commission Docket No. 4288 related to the implementation of recently passed Distributed Generation Standard Contracts Act.

NESEA is a regional professional membership organization promoting sustainable energy solutions. For more than thirty-five years, NESEA has supported and inspired a large and growing network of sustainable energy and sustainable building professionals committed to responsible energy use.

We are concerned that in developing policies that support the development of clean energy and distributed generation solutions, Rhode Island has slipped behind not only the ten Northeastern states in which we operate and have active professional members, but the entire country. The very few renewable energy projects actually built in the state should be considered evidence that past efforts, despite their good intentions, have not achieved their intended goals of encouraging renewable energy project development.

Several of our members were very encouraged by the prospects provided by the Distributed Generation Standard Contracts Act. They have recently become concerned that the contracts you are now considering to implement that legislation could substantially undermine that potential and the intent of the legislation.

I expect some of our members will submit comments regarding specific details and language in the contract. Our purpose for submitting these comments is to encourage the Public Utilities Commission to step back and recognize that the contract proposed for implementation of that legislation does not meet the very clear intent of the legislation. Both the legislators who sponsored that bill and the professionals who volunteered their time to develop the idea intended for this legislation to provide a contract for a secure dependable revenue stream against which projects could readily be financed. The goal is to encourage broad competitive participation and help create a robust market in Rhode Island for distributed generation from intermittent solar and wind resources.

Instead, the contract before you has been based on firm capacity contracts suited for large, dispatchable thermal generators. It is inappropriate for the size and type of

projects intended in the legislation. Due to the risks and costs of compliance for sellers in the proposed contract, and terms that we have already learned are proving unacceptable to parties that typically finance moderately scaled renewable energy projects, several aspects of the contract are clearly contrary to the intent of the legislation.

We are concerned that less sophisticated or less scrupulous renewable energy companies might convince customers to sign these contracts without understanding them adequately and thus leave those customers open to significant ongoing liabilities and obligations, ultimately giving renewable energy and distributed generation a bad reputation.

We encourage the PUC to utilize the opportunity this legislation provides as a step along the way to evolving the electricity grid in Rhode Island to best address both the risks and the opportunities of the 21st Century. The distribution grid of the future should be bi-directional, flexible, resilient and designed to encourage maximum input from renewable energy and other distributed generation. By efficiently locating distributed generation near point of use loads, we can reduce transmission losses, fuel conversion losses and generator standby losses, while further saving rate payers money by reducing the need for new transmission capacity. Such solutions are more energy efficient, more resilient in the face of future disruptions of all kinds and less susceptible to fuel price volatility.

These contracts should be conceived and drafted with the goal that Rhode Island moves closer to that resilient energy future in which it can be as easy and low risk for distributed generators to participate in electricity markets as it currently is for energy consumers to buy electricity. These long term DG contracts should support very simple metered transactions based on the energy produced times the contracted payment rate. Just over the border in Massachusetts, similar generators can make a simple registration as Qualified Facilities with ISO New England, deliver power to the utility meter and the utility companies take care of all other market participation requirements. The same basic transaction arrangement is provided for net metering generators in Rhode Island and across the country, as well as for generators participating in Feed-In-Tariff contracts in places like California that have proven very successful in developing robust competitive markets for renewable energy. There really should be little or no additional risk or administrative burden on the generators under these contracts beyond what these other transactions involve.

Basing these contracts for small and moderate sized intermittent distributed generators on firm capacity contract documents used for centralized thermal power plants significantly discourages the solutions this legislation was intended to support. The clauses that discourage broadly accessible low cost financing for DG projects would be especially important to remove. Requiring sellers to comply with unknowable future attribute market requirements is another significant burden on sellers, which ultimately drives up costs of these contracts for rate payers. In general there are far too many inappropriate and unnecessary risks and burdens to sellers in this proposed contract. We encourage the PUC to adopt changes recommended by others with more detailed comments that would reduce the risks and burdens on the generators and that would make the financing of projects easy, as was clearly intended by the legislature.

We are concerned that the working group developing this contract was working under unrealistic time constraints in order to meet the deadlines outlined in the legislation.

There was neither adequate time nor opportunity provided for experienced industry stakeholders to weigh in. We know that well intended, hard-working clean energy advocates were at the table, but there are certain situations, like contract negotiations, which require specialized knowledge and significant personal experience working with PPA contracts, financing energy projects and dealing with the nuanced business realities of the renewable energy industry. A process like this intended to develop long term contract documents for an entire industry to live with really needs to allow for time and opportunity for industry stakeholders and experts to participate.

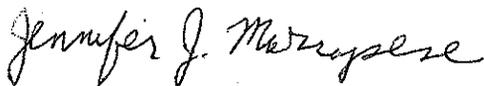
Recognizing the time constraints placed upon the working group and on the PUC by the enabling legislation, we encourage the PUC to approve whatever contract results from this docket as a short term temporary solution only and to assure that for future years, the newly established distributed generation standard contract board be directed to make recommendations to the commission for much more suitable terms for standard contracts. We request that whatever document results from the current process not be considered in any way a precedent for the long term contract that would thus result from an improved and more deliberative contract development process.

We recommend that new board be given directive by the commission to seek out model contracts from California, Vermont, Ontario, and other places that have similar programs for renewable energy generators contracting with distribution utilities already in place and working successfully for all parties. There are numerous such contract documents available for public access that have proven to work well over significant periods of time for both generators and utility companies to implement similar types of legislation in other states.

We also would encourage that some mechanism be provided that would allow any sellers entering DG contracts under the 2011 form of contract, be given the right to substitute the new 2012 form when it is developed.

The significant lack of progress on renewable energy and distributed generation in Rhode Island to date should be considered evidence that the continued focus on short term agendas rather than well crafted long term solutions has not served either state policy makers or the emerging renewable energy industry well. We encourage the PUC to assure that this legislation be implemented by contracts in the way it was intended - to support the low cost, low risk, easily understood and easily financed development of small and moderate scale distributed generation projects.

Thank you for your consideration,



Jennifer J. Marrapese
Executive Director
Northeast Sustainable Energy Association