

April 12, 2013

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Dockets 4277/4288
National Grid's Request for Amendment to the Current Nameplate Capacity Size
Limits for Wind Projects**

Dear Ms. Massaro:

On behalf of National Grid,¹ I am submitting this request that the Rhode Island Public Utilities Commission ("Commission") amend its Order No. 20995 to increase the maximum nameplate capacity for wind projects allowed to participate in the July Distributed Generation ("DG") Standard Contracts Enrollment. For the reasons below, the Company requests that the approved nameplate capacity for wind projects be increased to include a large wind class with a nameplate capacity ranging from 1.5 MW to 3.0 MW.

Background

On January 31, 2013, the Commission approved the ceiling prices and technology classes and targets (allocations) for the 2013 DG Standard Contracts enrollment year. (Order No. 20995) The maximum approved maximum target nameplate capacity for DG Standard Contract wind projects was set at 1.5MW.² For the 2013 enrollment year, the OER did not propose, and thus the Commission did not approve, a large wind class (i.e. a class with a nameplate capacity above 1.5 MW, but not to exceed 5 MW).³ The Commission also approved the Company's proposed 2013 DG Standard Contracts enrollment process rules and application, which include a Schedule 2 reflecting the approved class size limitations for wind projects. (Order No. 20994)

During the 2013 DG Standard Contracts enrollment year, the Company will conduct three DG Standard Contracts enrollments through which long-term DG contracts will be awarded. In the recently-concluded first enrollment, the Company received an application from Wind Energy Development ("WED"), a developer of a proposed project that would consist of two 1.5 MW wind turbines located on a land owned by the Town of Coventry. Based on the site plan submitted with WED's DG Standard Contracts enrollment application, these turbines would be located on the same piece of property. The developer seeks to finance the project by utilizing one of the two turbines for net metering and to obtain a long-term DG standard contract with the other turbine at the site.

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

² The ceiling price for the 1.5 MW wind projects was set at 14.80 cents per kWh.

³ Large DG wind projects are those that exceed the small DG project limit of 1.5 MW. R.I.G.L. §§39-26.2-2(8) and (12).

Discussion

Because the WED project would be comprised of two 1.5 MW wind turbines developed at the same location, the project would have a total nameplate capacity of 3.0 MW, and thus it fails to qualify for participation in the 2013 DG enrollments. When determining the total nameplate capacity of this and other projects, the Company is guided by the provisions of the DG Standard Contract statute (the “Act”). The Act contains a specific requirement that a DG project be distinct, and not be a smaller segment of a larger project. R.I.G.L. §39-26.2-3 (6). If facilities are installed at the same geographical location and involve the same type of renewable energy class, they are not separate projects under the Act. In order to enforce the prohibition against segmentation, the Act requires that an applicant submit an affidavit as part of its bid, confirming that the project is not a segment of a larger project. R.I.G.L. §39-26.2-6(a). Thus under the Act, the WED project is considered one project with a total nameplate capacity of 3.0 MW. Since, for the 2013 enrollment year, the Commission approved a wind technology class with a maximum nameplate capacity capped at 1.5 MW and did not include large wind projects category, which under the Act are projects in excess of 1.5 MW, the WED project does not qualify to participate in the enrollment.

Importantly, when determining whether or not a development is a single DG project, the Act does not distinguish between the methods the developer uses for financing – whether they be a DG contract, a contract under the Long-Term Contracting Act, sales as a Qualified Facility, net metering, or a combination of some or all of those financing options. Instead, the Act defines a distributed generation project simply as “a distinct installation of a distributed generation facility.” R.I.G.L. §39-26.2-3 (6). A distributed generation facility is, in turn, defined as “an electrical generation facility that is a newly developed renewable energy resource as defined in 39-26.1-2.” R.I.G.L. §39-26.2-3 (5) Thus, the total size of a DG project is based on the total nameplate capacity of the renewable energy electrical generation facilities present at the site. In fact, in the case of a project that will be financed through a combination of a DG contract and net metering, as is the intent with the WED project, the Act specifically refers to that arrangement as a single distributed generation project and not two separate projects.⁴ Moreover, the Act provides the net metering portion of that type of DG project with the election to sell renewable energy certificates to the electric company – a right not available to a stand-alone net metering customer.⁵

The DG Standard Contracts program establishes ceiling prices for each technology that would provide a developer a reasonable rate of return to support the construction of that project. 39-26.2-5(a). One of the reasons the Act prohibits segmentation of projects is to prevent a developer that can benefit from the economies of scale of a larger project from automatically obtaining the ceiling price geared to supporting a smaller-sized project. Developers of larger projects are required to compete for a DG standard contract by submitting a bid at or below the ceiling price. R.I.G.L. §39-26.2-6 (c). To allow a larger project to be segmented would run completely contrary to this statutory restriction. The Company believes that the non-segmentation provisions of the Act clearly prohibit allowing the WED project from being segmented into two separate projects and being allowed to unfairly take advantage of the small-project ceiling prices. Given the basic statutory prohibition on segmentation of projects, if there were any ambiguity in the statutory language (which there is not), the statute should be read to favor protecting all customers by prohibiting a larger project from taking advantage of ceiling prices designed to support small projects.

⁴ “A distributed generation project that also is being employed by a customer for net metering purposes may submit an application to sell the excess output from its distributed generation project.” R.I.G.L. §39-26.2-6(g).

⁵ “In such case, the portion of the renewable energy certificates that pertain to the energy consumed on site during the net metering billing period shall be priced at the average market price of renewable energy certificates, which may be determined by using the price of renewable energy certificates purchased or sold by the electric distribution company.” R.I.G.L. §39-26.2-6(g).

Instead, requiring larger projects to participate in the bidding procedure that has been established for those types of projects, will provide the lowest pricing for these long-term contracts, the above-market portion of which will ultimately be paid for by all the Company's customers.

Although this project exceeds the 2013 DG Standard Contracts cap on wind projects, the Company views this project as one that could be beneficial to the Town of Coventry, which has a lease arrangement with the developer. Additionally, subject to the Town's arrangement with the developer, it would also receive benefits from the net metering proceeds. The Company appreciates and supports the societal benefits that could flow from this type of project. As a policy matter, however, the Company is deeply concerned about accepting a strained reading of the statutory language in order to accommodate one project. Instead, the Company proposes that in the upcoming July enrollment the Commission approve increasing the cap applicable to wind projects to 3.0 MW, thereby establishing a large-project category for wind turbines. In that event, the WED project could satisfy the established size requirements and participate in the enrollment. Of course, as a 3.0 MW project, the WED project would be a "large distributed generation project" under the Act, and thus be required to submit a bid somewhere up to the ceiling price for wind projects. R.I.G.L. §39-26.2-6 (c). Nevertheless, the WED developers and other similarly sized projects would have the opportunity to bid into the enrollment on a non-discriminatory basis.

Conclusion

Increasing the cap on wind projects to 3.0 MW for the July enrollment would provide a working answer for the WED project and other similarly sized projects, as well as for the Company's customers. As a large DG project, the WED developers would certainly have to sharpen their pencils when they submit their bid. If they are successful, however, the WED developers will have obtained a long-term DG contract, and all customers, who pay for the above-market pricing on long-term contracts, would benefit from act's requirement that large projects compete. Accordingly, the Company requests that the Commission revise the wind project categories for the July enrollment to include a large wind category between 1.5 MW and 3.0 MW.

Included with this filing is a proposed revised Schedule 2 of the 2013 enrollment application and rules for use in the July enrollment. The proposed schedule reflects the requested size revision to the wind category and incorporates the anticipated results from the recently completed first enrollment.

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

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Docket 4277/4288 Service List
Steve Scialabba, Division
Leo Wold, Esq.
Marion Gold, Administrator, OER
Michael D. Mitchell, Esq.

**Schedule 2
Classes and Targets Applicable to Current Enrollment Period**

Class Nameplate	Target Nameplate	Ceiling Price (cents/kWh)	
Wind (50 kW – 1500 kW)			
50-100 kW	<u>3,000</u> kW	24.65	Deleted: 1500
200-999 kW	In Total	16.20	
1,000-1,500 kW		14.80	
<u>1,500 – 3,000 kW</u>		<u>14.80</u>	
Solar-PV (50 - 100 kW DC)	300 kW	29.95	
Solar-PV (101 - 250 kW DC)	<u>190</u> kW	28.80	Deleted: 250
Solar-PV (251 - 500 kW DC)	<u>763</u> kW	28.40	Deleted: 750
Anaerobic Digestion (400 – 500 kW)	<u>1,000</u> kW	18.55	Deleted: 500
Solar PV/Anaerobic Digestion (501 kW – 5,000 kW) ¹⁰	1, <u>763</u> kW	24.95 / 18.55	Deleted: 300

Note: Schedule 2 to be updated as required for each enrollment period.

¹⁰ Any unused allocation from a specific class shall roll over into the next open enrollments for that same class; with exception to the Small Solar (50 – 100 kW). Any unused allocation from the Small Solar (50 – 100kW) class is to be added to the Large Solar PV/Anaerobic Digestion class in future enrollments.

Docket No. 4288 – Office of Energy Resources Filings: 1) Proposed Distributed Generation (DG) Standard Contract Act Classes and Ceiling Prices; and 2) Proposed DG Standard Contract; and

Docket No. 4277 – National Grid National Grid – Distributed Generation Enrollment Application & Enrollment Process Rules

Service Lists updated 4/4/13

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