



Memorandum

From: Karina Lutz, advocacy consultant, for People's Power & Light
To: RI Public Utilities Commission, via Clerk Luly Massaro
Date: October 26, 2011
Re: Docket # 4288 Distributed Generation Ceiling Prices and Standard Contract

Honorable Commissioners:

People's Power & Light submits these public comments in regards to Docket 4288. As a member of the stakeholders engaged to discuss the price setting and classes, and the smaller group to negotiate the contract, People's Power & Light brought our perspectives as a consumer advocate and an organization that has promoted and directly supported distributed generation of renewable energy in RI and in the process has negotiated contracts for the purchase of Renewable Energy Certificates (RECs).

In regards to the draft standard contract submitted by the Office of Energy Resources, as many have commented, and has been implied in the Commission's own data requests, the process of developing the contract has been unworkably hurried and lacked the participation of a lawyer experienced with Power Purchase Agreements to represent the state. Several advocates were also concerned that the lawyer chosen was too biased towards the utility, which already had significant representation in the negotiations.

However, we were glad when the group agreed, we thought, that the OER should and would include a disclaimer in the OER's filing to insure that the present draft contract not be considered a precedent and that the DG Board, when constituted, be tasked immediately with generating a new contract that "would work better." We are afraid that the filing's statement is not as strong as we thought the agreement was. One flaw in the process was that all the parties to the discussion were not offered a chance to review the documents before submittal, and so were not able to review it beforehand.

For PP&L, what "would work better" is a contract that would attract broad competition from developers, and thereby drive the price of the contracts down over the course of the program. We were very concerned, during the negotiations, that the contract was weighed down with barriers to entry for most developers, particularly smaller developers and developers of smaller projects, such as the Small Business Renewable Energy task force at the legislature had envisioned participating. After the contract was submitted and developers and financiers were able to see it, we became more concerned that the contract as written will stifle competition.

Therefore, PP&L would like to state for the record our opposition to the use of this contract, if approved by the PUC with only minor modifications due to time constraints, as any kind of precedent in future years of the distributed generation standard contracts program.

A much better approach would be to use an example from another jurisdiction's working DG contracting program, such as Vermont's, as the model on which to base the 2012 contract. This is true regardless of the ability of the 2011 program to fill its quota of energy production. Given the small size of the program, and the expiring federal incentives and other time-bound grant opportunities, we may see uptake that does not indicate true competition is being developed.

Also, regarding the contract, we disagree with the assumption that shifting risk from National Grid to the developers is in the ratepayers' interest. The aggregate of small projects funded by NGrid pools risk in a way that small developers cannot, and should therefore reduce the costs overall, which should result in lower prices in future years of the program. In particular, there are contract elements, such as the cancellation of the contract based on production tests, which are overly onerous. If the project produces less than expected, for reasons beyond the control of the developer, the utility will just purchase less renewable energy from that developer. Again, averaged with the whole program, and given the small amounts of energy involved compared to the utility's portfolio, that should be insignificant risk to the utility, while it represents a great risk to the developer. These are factors unique to distributed generation, unlike the larger Orbit project the contract was modeled on.

Regarding the prices, we were supportive of using the Sustainable Energy Advantage and Meister Consulting Group CREST model to generate prices. SEA has been a reliable provider of market information that we find reliable to protect our green power consumers' best interests; we are unaware of any better process for price setting. We were also happy to see the output of the CREST system discovered prices that indicate that renewable energy in Rhode Island can be affordable. In fact, as we have said before, it proves that distributed generation can be much more affordable than offshore wind (in particular the Deepwater Wind Block Island project). For consumers' interests, we should ensure that all the most cost effective renewable energy is purchased first, for the least cost procurement of enough renewable energy to meet our environmental, energy security and economic goals.

Sincerely,

Karina Lutz

Cc: Miriam Ross, esq.
Rep. Deborah Ruggiero
Sen. Joshua Miller