

May 15, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4316 - Long-Term Contracts for Renewable Energy Projects Pursuant to Rhode Island General Laws Section 39-26.1 et seq.
National Grid's Reply Comments**

Dear Ms Massaro:

Enclosed please find ten (10) copies of National Grid's¹ Reply Comments in the above-referenced proceeding. These comments are in response to comments filed by the Division of Public Utilities and Carriers on April 30, 2012.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4316 Service List
Leo Wold, Esq.
Steve Scialabba, Division

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

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted and sent via U.S. Mail to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission.



May 15, 2012

Joanne M. Scanlon
National Grid

Date

Docket No. 4316 National Grid – Revised Long-Term Contracting for Renewable Energy Projects Pursuant to R.I.G.L. Section 39-26.1 et seq. Service List updated 5/15/12

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

Long-Term Contracts for Renewable Energy Projects
Pursuant to Rhode Island General Laws Section 39-26.1 *et seq.*

Docket No. 4316

REPLY COMMENTS OF THE NARRAGANSETT ELECTRIC COMPANY
D/B/A NATIONAL GRID
REGARDING LONG-TERM CONTRACTING FOR RENEWABLE ENERGY

I. INTRODUCTION

National Grid¹ hereby submits this reply to the written comments submitted by the Rhode Island Division of Public Utilities and Carriers (the “Division”). On March 1, 2012, the Company filed proposed revisions to its request for proposals (“RFP”) pursuant to R.I.G.L. Section 39-26.1 *et seq.* (the “Long-Term Contracting Standard”). In compliance with the established procedural schedule, on April 30, 2012, the Division’s consultant, Richard Hahn, submitted comments with respect to the Company’s revised RFP. The Company now takes this opportunity to respond to issues raised in the Division’s comments.

II. COMMENTS

a. Retaining the 250kW Solar Minimum.

The Division recommends that the Company retain the 250 kW threshold for solar projects in the revised RFP to provide bidders an additional opportunity to have their projects evaluated. Although this requirement was ordered by the Commission in Docket 4150, the Company agrees with Mr. Hahn’s statement that “this is likely no longer necessary to help

¹ The Narragansett Electric Company d/b/a National Grid (referred to herein as “National Grid” or the “Company”).

[National Grid] to procure enough solar generation to meet its 3 MW target,” especially because the new Distributed Generation (“DG”) Standard Contracts Act is specifically crafted towards the smaller developer for projects up to 5 MW². In Docket 4150, the Commission ordered the Company to reduce the minimum size for solar projects to 250 kW to diversify the renewable energy market.³ This objective is now met by the DG enrollment process. The Company specifically retained the one MW (net) minimum size for projects in the long-term renewable contracting solicitation process, in order to preserve the opportunity for projects of this size to participate in either the RFP or the DG enrollment. Retaining the one MW minimum encourages diverse technologies and does not preclude the smaller developer, even though it is highly unlikely that a project of this size would participate in the RFP. In fact, the Company has not seen projects less than one MW participate in the prior two solicitations. The Company believes that it is more appropriate and streamlined for projects of less than one MW to participate through the DG enrollment process.

b. Late Proposals and Failure to Meet Eligibility Criteria.

The Division recommends that the Company reject all late proposals (Section 3.4 of the RFP), and to revise the language in Section 2.2.2 of the RFP to require that projects not meeting the eligibility requirements will be disqualified.⁴ The language in the RFP reserves to the Company the right to reject bids that are not timely received, and to disqualify a project that does not meet the eligibility requirements. The Company does not believe that the RFP requirements should be so strict as to preclude from participation any projects that might otherwise bring the most benefit to the State of Rhode Island under the Long-Term Contracting Standard. The

² See R.I.G.L. § 39-26.2-1 *et seq.*

³ See Report and Order, Docket 4150, at 15 (December 1, 2010).

⁴ The Division submitted similar comments regarding the rejection of late proposals in its review of the Company’s RFP in Docket 4150. Although the Company did not oppose this recommendation at that time, the Commission did not require such revision as part of its order. See Report and Order, Docket 4150 (December 1, 2010).

Company supports maintaining sufficient flexibility and reasonable discretion to ensure that the best and most competitive projects have the opportunity to participate in the program. However, if a situation arose in which such discretion was required in order to evaluate an otherwise promising bid, the Company would proceed only after consultation with the Division to ensure the utmost fairness to bidders and to maintain the integrity of the competitive process.

c. Timeliness of Market Price Forecast.

The Division recommends that the market price forecast that is provided to the Commission should be “up-to-date and not one-year old.” This statement fails to take into account the lengthy timeline from the receipt of bids through the final selection and negotiation of a contract, to the eventual filing of an executed contract with the Commission. As set forth in the RFP Schedule in Chart 1 of the revised RFP,⁵ bids are received in early August and the selection of the short-listed bidders occurs in mid-October. After further evaluation and final selection around early December, the Company then enters into negotiation of the contract and files the executed contract with the Commission.⁶ The Company receives the forecast in August in order to perform the bid evaluation, which is then completed in final form by early December. The subsequent timeline in which to negotiate the contract and then file for Commission approval varies. Although the forecast appears to be “out-of-date” by the time the contract is filed with the Commission, it is, in fact, a timely and appropriate forecast at the time of the evaluation. Although the energy markets are dynamic and ever changing, the Company believes it is reasonable to use an annual forecast for the purposes of evaluating bids over the contract term of fifteen years. This is consistent with the method of solicitation that was approved by the

⁵ The Company has not proposed any changes to the timeline set forth in Chart 1 as part of its March 1, 2012 filing.

⁶ The dates set forth in Chart 1 are anticipated dates. As indicated by the prior two solicitations, the contract negotiations may take additional time and the filing with the Commission may not occur until later in the year. Pursuant to R.I.G.L. § 39-26.1-3, the Commission then has 60 days in which to review the contract.

Commission in Docket 4150, as well as the Company's practice in the prior two solicitations.

The Company will continue to make considerations for any major market shifts as it has done in the past.

d. Additional Issues.

The Division makes three additional recommendations in its April 30, 2012 comments that were also made in Docket 4150, specifically, (i) providing the Division with 30 days to review bids; (ii) providing the Company's forecasted market prices earlier in the procurement timeline; and (iii) allowing a bidder who has either not submitted a Notice of Intent or has not attended a Bidder's Conference to nevertheless submit a proposal. Although the Company did not oppose amending the procurement process to adopt these recommendations in Docket 4150, the Company did not include specific language regarding items (i) or (ii) in the RFP as this document is intended for bidders. As part of the procurement process, the Company already consults with the Division to review the bids prior to a final selection. The Company's selection of the short-listed bidders does not occur until approximately two months following the submission of the bids to the Division; therefore, the Division has ample time in which to review the bids prior to selection and negotiation of a contract. With respect to providing the Company's market price forecast, the Company has historically provided this forecast to the Division upon request, but would not oppose a requirement to submit the forecast earlier in the procurement timeline, subject to the Company's comments in subsection (c) above.

Finally, with respect to item (iii), the revised RFP already states that bidders are "encouraged to submit a Notice of Intent to Bid" and that the Bidder's Conference is for "interested parties" and provides an opportunity to clarify any questions. The Company believes that this language is clear that neither is mandatory for participation, and this language was

approved by the Commission in Docket 4150. However, the Company does not oppose further clarification if the Commission so desires.

Respectfully submitted,

The Narragansett Electric Company d/b/a
National Grid
By its attorney,

A handwritten signature in black ink, appearing to read "Jennifer Brooks Hutchinson". The signature is written in a cursive style with a horizontal line extending to the right.

Jennifer Brooks Hutchinson (RI Bar #6176)

Dated: May 15, 2012