

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF PURCHASE POWER
AGREEMENT BETWEEN NARRAGANSETT
ELECTRIC COMPANY d/b/a NATIONAL GRID
AND BLACK BEAR DEVELOPMENT HOLDINGS, LLC.

DOCKET NO. 4319

ORDER

WHEREAS, on February 17, 2012, Narragansett Electric Company, d/b/a National Grid (“National Grid” or “Company”) entered into a Power Purchase Agreement (“PPA” or “Black Bear PPA”) with Black Bear Development Holdings, LLC. (“Black Bear”) and the same was filed with the Commission on March 19, 2012; and,

WHEREAS, the Company executed the PPA pursuant to R.I.G.L. §39-26.1-3 which requires the Company to annually solicit and enter into long-term contracts with renewable energy developers subject to Commission approval; and,

WHEREAS, R.I.G.L. §39-26.1-1 et seq. (the Long-Term Contracting Standard) requires the Company to enter into long-term contracts for 90 megawatts of power from newly developed renewable energy resources by 2013; and,

WHEREAS, the Company’s process and procedures for soliciting long-term contracts for renewable energy was approved by the Commission on June 17, 2010.¹ On June 30, 2011, the Company issued its second solicitation for proposals from renewable energy developers to enter into long-term contracts for the purchase of capacity, energy and attributes from newly developed renewable energy resources; and,

WHEREAS, the Black Bear Hydro Orono B Project (“Orono B Project”) was one of the two highest ranked projects in the June 30, 2011 solicitation and was the best combination of price and project size; and,

¹ Docket 4150: written Order issued December 1, 2010.

WHEREAS, the Black Bear PPA had an initial bundled energy price of \$99/MWh in the initial year of operation based on the ISO-NE Rhode Island zone, adjusted annually by a 2% escalation factor; however, on May 7, 2012 the Black Bear PPA was amended to change the contractual delivery point to the Maine delivery point and to revise other provisions, as appropriate, to conform with this amendment; and,

WHEREAS, the bundled energy price of the amended PPA is \$91/MWh in the initial year of operation based on the ISO-NE Maine zone, adjusted annually by a 2% escalation factor; and,

WHEREAS, the pricing of the amended Black Bear PPA is estimated to be approximately \$8.4 million below the projected market price on a net present value basis over the term of the fifteen-year contract; and,

WHEREAS, the Orono B Project is the first hydroelectric project to be selected pursuant to the Long-Term Contracting Standard and will diversify the Company's current portfolio of renewable energy resources; and,

WHEREAS, the Orono B Project is a 3.75MW nameplate run-of-river hydroelectric project to be located in Orono, Maine. The project will be constructed adjacent to the existing Orono A facility on an existing dam in the Stillwater Branch of the Penobscot River, and it will contain three vertical turbine generators, each with a nameplate rating of 1.25MW at a power factor of 0.90; and,

WHEREAS, the Orono B Project will interconnect to an adjacent Bangor Hydro distribution substation which is connected by the Bangor Hydro 46kV transmission system to the Graham substation. The Graham Substation is the location for the 115kV interconnection to the NEPOOL Pool Transmission Facilities; and,

WHEREAS, the Orono B Project will provide clean, renewable energy without producing greenhouse gas emissions or associated waste. Through the use of existing dam structures, the Orono B Project will take advantage of otherwise unused river flows and be equipped with all the necessary environmental protective measures including but not limited to fish passage facilities; and,

WHEREAS, the Orono B Project is scheduled for completion prior to December 31, 2013; and,

WHEREAS, the Orono B Project qualifies as a newly developed renewable energy resources pursuant to R.I.G.L. §39-26.1-2(6);

WHEREAS, the Orono B Project will contribute 3.57 MW of contract capacity and meets 50% of the Company's 90MW requirement;²

WHEREAS, following public notice, the Commission held a hearing on May 11, 2012 wherein representatives of National Grid and Black Bear testified regarding the major terms and provisions of the Black Bear PPA and answered questions posed by the Commission. The Division of Public Utilities and Carriers also testified regarding the Black Bear PPA; and,

WHEREAS the Commission's authority to review this PPA is governed by the Long-Term Contracting Standard codified at Title 39, Chapter 26.1 of the R.I. General Laws. Pursuant to Chapter 26.1, Title 39 of the R.I. General Laws, the Commission's review of the Black Bear PPA is limited to three questions. First the Commission must determine whether the PPA is commercially reasonable as that term is defined in R.I.G.L. §39-26.1-2(1). Next, the Commission must decide whether the requirements for the annual solicitation have been met, and finally, the Commission must decide whether the PPA is consistent with the purposes of Chapter

² R.I.G.L. §39-26.1-3(c)(2).

26.1, Title 39 of the R.I. General Laws.³ The Commission unanimously finds that the Company had met its burden with respect to all three questions.

WHEREAS, the R.I. General Assembly defines the term “commercially reasonable” as follows:

“...terms and pricing that are reasonably consistent with what an experienced power market analyst would expect to see in transactions involving newly developed renewable energy resources. Commercially reasonable shall include having a credible project operation date, as determined by the commission, but a project need not have completed the requisite permitting process to be considered commercially reasonable. If there is a dispute about whether any terms or pricing are commercially reasonable, the commission shall make the final determination after evidentiary hearings.”⁴

WHEREAS, the primary witness for the Division of Public Utilities and Carriers, Richard S. Hahn, testified that the Black Bear PPA is commercially reasonable and recommended approval. He testified that the Orono B Project was the most highly ranked project in the Company’s June 30, 2011 solicitation and that the pricing of the Black Bear PPA was significantly below market. He testified that the Black Bear PPA had a credible operation date; and.

WHEREAS, the Company’s pre-filed testimony and Summary Report on National Grid’s Second Solicitation for Long-Term Contracts for Renewable Energy, filed March 2, 2012, demonstrate that the Company has met the requirements for the annual solicitation, having selected the Black Bear Hydro Orono B Project from seven other bidders.⁵

WHEREAS, the final prong to be met in this analysis is whether the PPA is consistent with the purposes of Title 39, Chapter 26.1 of the General Laws entitled Long-Term Contracting

³ R.I.G.L. §39-26.1-3(b).

⁴ R.I.G.L. §39-26.1-2(1).

⁵ National Grid 1, Exhibit 3 (Summary Report on Second Solicitation, March 2, 2012).

Standard for Renewable Energy. The legislative purpose of the Long-Term Contracting Standard is set forth in R.I.G.L. §39-26.1-1 as follows:

“The purpose of this chapter is to encourage and facilitate the creation of commercially reasonable long-term contracts between electric distribution companies and developers or sponsors of newly developed renewable energy resources with the goals of stabilizing long-term energy prices, enhancing environmental quality, creating jobs in Rhode Island in the renewable energy sector, and facilitating the financing of renewable energy generation within the jurisdictional boundaries of the state or adjacent state or federal waters or providing direct economic benefit to the state.”

WHEREAS, the Black Bear PPA calls for the construction of a 3.75 MW run-of-river hydroelectric project located in Orono, Maine. In executing the Black Bear PPA, National Grid agrees to purchase renewable energy, capacity and RECs from Black Bear Development Holdings, LLC at \$91/MWh in the initial year, adjusted annually by a 2% escalation factor, for a period of 15 years. The record in this docket reveals that the Black Bear PPA is expected to provide direct economic benefit to the State of Rhode Island by way of significant pricing benefits and/or cost savings delivered to ratepayers as a result of the PPA. This is based on the undisputed testimony that the net present value of the difference between the contract cost and the market forecast is approximately \$8.4M below market over the term of the fifteen-year contract.⁶

WHEREAS, the Commission finds, based on the record, that National Grid has fulfilled the requirements for the annual solicitation provided in R.I.G.L. §39-26.1-3; and

WHEREAS, the Commission finds, based on the record, that the Black Bear PPA fulfills the legislative goals of promoting long-term contracts for renewable energy, stabilizing long-term energy prices and providing direct economic benefit to the State of Rhode Island; and,

⁶ National Grid 3, Exhibit 2.

WHEREAS, the Commission finds, based on the record, that the Black Bear PPA is commercially reasonable and otherwise complies with all relevant policies and provisions of Title 39, Chapter 26.1 of the R.I. General Laws.

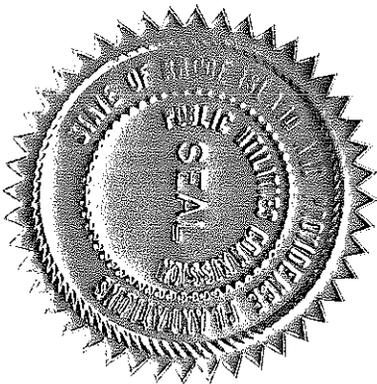
ACCORDINGLY, it is

(20738) ORDERED:

1. The Power Purchase Agreement between the Narragansett Electric Company, d/b/a National Grid and Black Bear Development Holdings, LLC, dated February 17, 2012, as amended on May 7, 2012, complies with all relevant policies and provisions of the R.I. General Laws, including without limitation R.I.G.L. §39-26.1 et seq., and the same is hereby approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON MAY 11, 2012 PURSUANT TO A BENCH DECISION. WRITTEN ORDER ISSUED MAY 17, 2012.

PUBLIC UTILITIES COMMISSION




Elia Germani, Chairman


Mary E. Bray, Commissioner


Paul J. Roberti, Commissioner