



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION
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Chairperson Margaret E. Curran
Commissioner Paul J. Roberti
Commissioner Herbert F. DeSimone, Jr.

MEMORANDUM

To: Docket 4497 Service List
From: Cynthia Wilson-Frias, Deputy Chief of Legal Services
Date: May 21, 2015
Re: Open Meeting Decision on Declaratory Judgment Petition – Covanta Maine, LLC

At its open meeting held on May 20, 2015, the PUC reviewed Applicant's April 3, 2015 Petition for Declaratory Judgment for its Covanta Jonesboro facility as an eligible Renewable Energy Resource.

The PUC determined that the applicant has shown that it has completed capital investments that have increased annual electricity output in excess of 10%. However, there has been no increase in the capacity of the facility. It was a 27.5MW facility both pre-capital investment and post-capital investment. Therefore, there has been no increase in the capacity of the facility, but the capacity factor has increased from a low of 61% pre-capital investment to as high as 78% post capital investment. In addition, it appears the heat rate/conversion is unchanged. Therefore, it is unclear whether the unit is really more efficient. However, the PUC has previously allowed increased efficiency to be demonstrated by a calculation of increased output under similar operating circumstances.

During its discussion, the PUC noted that the facility currently operates as a baseload unit whereas, during the historical generation baseline period, it operated as a peaking unit. The Rules and Regulations Governing the Implementation of a Renewable Energy Standard require the exclusion from the determination of incremental production post capital investment of "operational changes at such facility not directly associated with the efficiency improvements or additions of capacity." The change from a peaking unit to baseload unit is an operational change which the applicant stated was because of the capital investments.

However, the applicant has not shown how much of the incremental production over the historical baseline is related to operational changes directly associated with the capital investment. How much more electricity is produced under the same set of operating conditions after the capital investment relative to the amount produced prior to the capital investment? This is a measure of the increased efficiency of the facility where the heat rate/conversion appears unchanged and the capacity of the facility is unchanged.

The PUC unanimously agreed that additional information is needed to determine what incremental production based on operational changes of the facility is directly associated with efficiency improvements or additions of capacity.

There needs to be a calculation once that data is made available in order to take the current year's production of hours and divided by the current hours of operation, and to be able to come up with that ultimate calculation of what the current output during the same number of hours is compared to the output during the same hours during the baseline period.

The PUC is requiring the applicant to provide hours of operation and megawatt hours of output during the three-year historical generation baseline. If this information is not available, the applicant shall work with the consultant to find a reasonable proxy. If that reasonable proxy cannot be agreed to, the applicant and/or consultant can inform the Clerk that there is a dispute which will then be reviewed by the PUC. The Declaratory Judgment Petition will be held in abeyance while additional information is gathered and further review of the application is conducted.

The following is the process that should be used:

1. In the event acceptable data is supplied, the PUC consultant should calculate the average annual hours of operation during the baseline period.
2. The current-year production (MWH) should be divided by the current-year hours of operation.
3. The production calculated in Step 2 should be multiplied by the average annual hours of operation calculated in Step 1.
4. The consultant must also calculate either the annual average or hourly-weighted annual average generation during the baseline period (in MWH).
5. The production calculated in Step 3 less the production calculated in Step 4 may be considered the non-operation additional capacity resulting from capital investments. This difference divided by the value calculated in Step 3 (multiplied by 100) may be considered the "percentage new" due solely to capital investments for the purposes of registering some portion of the current facility as a New Renewable Resource in Rhode Island.