

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

IN RE: PETITION OF THE TOWN OF)
COVENTRY, THE TOWN OF WEST)
WARWICK, WED COVENTRY ONE, LLC,)
WED COVENTRY TWO, LLC, WED)
COVENTRY THREE, LLC, WED COVENTRY)
FOUR, LLC, WED COVENTRY FIVE, LLC,)
WED COVENTRYSIX, LLC)

**PETITIONERS RESPONSE
TO ARBITRATOR’S DECISION**

This is The Town of Coventry, the Town of West Warwick, WED Coventry One, LLC, WED Coventry Two, LLC, WED Coventry Three, LLC, WED Coventry Four, LLC, WED Coventry Five, LLC and WED Coventry Six, LLC (collectively Petitioners) reply to the arbitrator’s decision in this docket. Petitioners’ repeat their request that the Commission conduct an investigation of National Grid’s conflict of interest that impedes equitable administration of the interconnection of distributed generation. Until that investigation is completed, Petitioners do not accept the findings in Section VII or VIII of the decision and request the Commission’s adjudication and reconsideration of Petitioners’ requested relief.

Petitioners did not request the arbitrator’s determination of whether National Grid has a conflict of interest that leads to inequitable administration of interconnection as the arbitrator framed the matter. Decision, p. 2. Petitioners’ asked for the Commission’s investigation of whether such a conflict exists pursuant to the Commission’s authority under R.I. Gen. Laws §39-1-3(a). Petition, p.

1. The arbitrator’s determination was:

It is difficult to understand how National Grid has an interest in maintaining high gas prices when as the gas distribution company in Rhode Island, it does not profit from the commodity price of gas. Because National Grid has an interest in customers using natural gas, and high gas prices would cause customers not to use gas (or switch to other alternatives), it would be illogical for the company to encourage high gas prices.

Therefore, there is no inherent conflict of interest in National Grid's gas distribution company business plan and the appropriate administration of the distributed generation interconnections. Decision, p. 37-38.

Petitioners did not ask the arbitrator to understand the conflict or make a determination on it in the absence of evidence on the issue; they asked for a recommendation that the Commission conduct a full investigation. Despite the arbitrator's opinion, we maintain that request.

National Grid's interests are aligned against the proliferation and interconnection of renewable energy. The arbitrator's opinion focuses on the Company's distribution of gas in Rhode Island; but, ours is a regional energy economy. National Grid's divergent interests are in supplying natural gas to our region's gas-fired electric generating facilities and revenue expectations related to regional gas and electric transmission investments and the continued distribution of electricity in Rhode Island. Natural gas fired electric plants compete directly with distributed generation for market share. In the short term, National Grid benefits greatly from high natural gas prices when it sells gas to the region's power plants. The Company is not in Rhode Island's electricity generating business any more, but they are only one small step removed in supplying natural gas to our region's power plants.

Our regional energy economy is at a crossroads – to resolve regional transmission constraints on natural gas (our dominate, regional fuel for electricity, upon which we could become much more dependent) during periods of peak consumption we can invest in more natural gas pipeline capacity or we can invest in energy efficiency and renewables to reduce our demand for natural gas. National Grid's advocacy and business interest is clear – invest in pipeline capacity. National Grid would benefit directly from those capital investments and, in the long term, the added pipeline capacity will keep gas more competitive with the alternatives for residential heating and electric generation.

National Grid's interest in the distribution of electricity in Rhode Island also opposes distributed generation. The more energy Rhode Island can locate at or near the source of consumption, the less we need to invest in improvements to our electric transmission and distribution grids or the management of the electric distribution function. Although decoupling removed some of the direct disincentive for National Grid to support reduced consumption of electricity, it is far from aligning incentives for distributed generation. That is why our General Assembly has seen the need to give the Company incentive payments to implement our renewable energy programs. See e.g., R.I. Gen. Laws §§39-26.1-4; 39-26.2-9; 39-26.6-12(j)(3).¹ These dynamics would come to light in a full investigation of the interests that impact National Grid's administration of interconnection. Once done, that investigation would fully illuminate the foundation of Petitioner's plight with interconnecting the Coventry projects.

Petitioners' expected that the facts presented on the Coventry interconnection process and NeoEnergy's project would give the arbitrator sufficient sense of the inequities of interconnection to convince her of the need to recommend the Commission's investigation of conflicting interests. This interconnection dispute should be viewed in light of the long and demanding history Petitioners have faced with these projects, as outlined in the attached chart that the arbitrator requested at the outset of this proceeding. That history includes the Company's initial denial of the DG Contract for Coventry One (reversed in docket 4277), the initial petition in docket 4483 (addressing the interconnection tax and the Company's policy of estimating interconnection costs without any true-up), and the Company's refusal to allow extension of the DG Contract or refund of the performance guaranty deposit for Coventry One based on delays caused by the Company's interconnection process (disputed in docket 4277 and in tariff proceedings, dockets 4483 and 4536A). It also should consider

¹ The only current program that does not provide such an incentive payment is net metering and National Grid's concerns about unleashed net metering potential gave rise to the rate review proceeding beginning this summer. R.I. Gen. Laws §39-26.6-24.

Petitioners' arguments on the Company's Electric Infrastructure Safety and Reliability Plan, which included no consideration of improvements to the distribution system to accommodate the interconnection of new renewable energy and were ultimately addressed (despite opposition from the Company and the Division and with Petitioners' gratitude) in the recent resolution of Docket 4539.

Petitioners hoped the arbitrator would also understand and appreciate the extraordinary burden of the interconnection process for the 10-turbine project in Coventry. This includes the fluctuation in the estimated cost of interconnection from \$270,000 per turbine before their first petition (docket 4483) to \$1.2 million for two turbines after that petition, \$13 million for seven turbines thereafter, and then back down to \$5.7 million after Petitioners' filed this second petition.² The cost fluctuation clearly derived from Petitioners' adversity at the Commission (petition 1, docket 4483) and National Grid's determination of how much to burden the projects with the costs of upgrading its distribution system. The Company and only the Company understood its system and was in a position to propose more efficient interconnection. Indeed, it did so quickly when pushed by this petition and by the threat of remedial legislation proposed at the General Assembly. Petitioners submit that the record is clear that National Grid's administration of these interconnections was and would have been driven by its conflicting interests in driving up costs for the project developer by requiring huge investments in the Company's distribution system, and without this petition and Petitioners' legislative efforts those interests clearly would have governed the interconnection of these projects.

Similarly on the timing of interconnection, the schedules provided in National Grid's interconnection impact studies were either indefinite (a death sentence for financing interests) or so long that they precluded compliance with the 18 month production requirements for three of the proposed turbines (Coventry 1, 3 and 4). The arbitrator decided that the Company's interconnection

² Since reduced to \$3.77 million for ten turbines in an addendum to the February 18, 2015 impact study regarding a plan for underground interconnection.

tariff is not clear on the required timeline for the entire interconnection process and recommended the establishment of an agreed and fixed interconnection schedule by written agreement for future, large projects. Decision at pp. 32-33, 40. However, no schedule was ordered for these Coventry projects. She decided that the tariff could be clearer on whether National Grid has an affirmative obligation to come up with the most efficient interconnection method available to a project, but ultimately accepted the Company's position that it is unreasonable to expect multiple impact studies to evaluate whether and how a project can best be interconnected. Decision, p. 33. Thus the developer must continue to propose interconnections with limited information about the Company's distribution system and its constraints, shooting in the dark until they happen on a solution that gets the most efficient pricing and schedule if the Company is willing to grant them that result.

Finally, Petitioners expected that their predicament with ISO's regulatory process would shed light on the underlying adversity. While ISO does make the final decision regarding its regulatory jurisdiction and Petitioners' compliance obligations, they have left some of the essential, underlying determinations to National Grid, including whether these projects involve one or more interconnections and whether ISO's regulatory jurisdiction extends to these projects that are not engaged in the wholesale market. National Grid has decided those pivotal questions to Petitioners' disadvantage. Here again, without third party intervention, Petitioners' are at the mercy of National Grid's countervailing interests. They hoped that the arbitrator and the Commission might help them resolve that burdensome predicament.

Petitioners have long contemplated and lamented why National Grid has been so oppositional toward the development of the Coventry wind project. When the arbitration began, they understood that National Grid had issued much of the substantive relief they sought in this petition (with the exception of a fixed schedule and clarity on the capacity to construct its own interconnection for

control over time and cost efficiency and effectiveness, which the arbitrator's recommendation does seek to address a bit). The Petitioners decided to proceed with this arbitration not only to resolve the outstanding challenges with the interconnection of its Coventry project, but also with hope of resolving the adversity that underlies the interconnection process. Petitioners have dedicated far too many resources to address the time of cost of interconnection at the Commission and in the General Assembly because without bounds on the Company's administrative discretion, Petitioners' projects and the entire renewable energy economy are at the mercy of National Grid's divergent interests.³

What if there is a conflict of interest beneath National Grid's administration of interconnection in Rhode Island? Petitioners' submit that the facts and arguments presented in this docket would be viewed very differently if seen in that context. It is in the Commission's interest to resolve this question as part of the process of reducing electric rates for Rhode Island customers. A thorough investigation of the interests underlying the administration of interconnection remains essential to fully understand and properly resolve this interconnection case and the many interconnections to come, all of which will benefit Rhode Island's new energy economy.

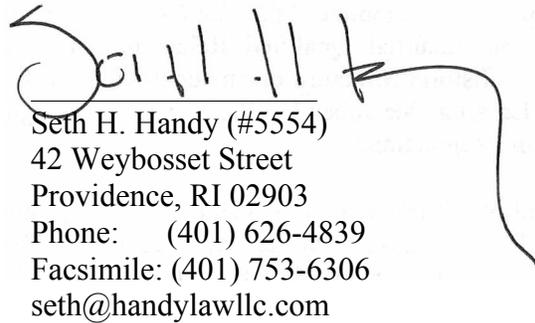
Petitioners' respectfully request an investigation of the conflict of interest underlying National Grid's administration of interconnection in Rhode Island. Petitioners do not accept the findings in section VII or VIII of the arbitrator's decision until that investigation is completed. Once completed,

³ These concerns of conflict and administration would more appropriately have been resolved by the regulatory authorities with jurisdiction over such matters.

Petitioners ask the Commission to adjudicate Petitioners' requests for relief.

**TOWN OF COVENTRY, TOWN OF WEST
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COVENTRY FOUR, LLC, WED
COVENTRY FIVE, LLC, WED COVENTRY
SIX, LLC**

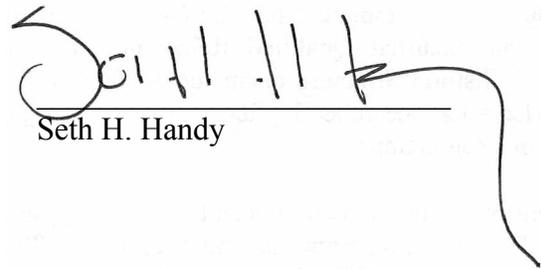
By their attorneys,
HANDY LAW, LLC



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CERTIFICATE OF SERVICE

I hereby certify that on April 16, 2015, I delivered a true copy of the foregoing document to the service list by electronic mail.



Seth H. Handy