



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
DIVISION OF LEGAL SERVICES
One Capitol Hill, 4th Floor
Providence, RI 02908-5890

Tel: (401) 222-8880
Fax: (401) 222-8244

February 3, 2016

SENT VIA FIRST CLASS MAIL AND ELECTRONIC MAIL:

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

RE: 2016 Ceiling Prices for the Renewable Energy Growth Program
(Docket No. 4589-B)

Dear Ms. Massaro:

Enclosed for filing on behalf of the Rhode Island Distributed Generation Board ("Board") is an original and ten (10) copies of the Commission's Second Set of Post-Hearing Data Requests Directed to the Board (February 1, 2016) regarding the 2016 renewable energy growth program classes, ceiling prices and targets.

If there are any questions, please feel free to contact me.

Sincerely,

Daniel W. Majcher, Esq.

DWM/njr

Enclosure

c. Kenneth Payne
Christopher Kearns
Docket List: 4589-B

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REPORT AND RECOMMENDATION
OF R.I. DISTRIBUTED GENERATION BOARD
ON 2016 RENEWABLE ENERGY GROWTH
CEILING PRICES, CLASSES AND TARGETS

DOCKET NO. 4589-B

COMMISSION'S SECOND SET OF POST-HEARING DATA REQUESTS

DIRECTED TO BOARD

(February 1, 2016)

Reply by February 3, 2016 at 4:00

The Commission is in receipt of the accompanying public comment received on February 1, 2016. The author of the public comment, Robert Cioe, purports to be in the process of developing a hydro project that would qualify as a Small Scale Hydropower II project under the REG program.

1. Is the Board aware of any other hydro projects being developed within the state?

The Board and OER over the years have heard of possible restoration or reactivation of small hydropower facilities in East Providence and West Warwick. The Natuck Dam project in West Warwick, which has been under development since 2012, is certainly the most advanced in terms of permitting and interconnection studies completed. This specific project has been eligible to participate in the Renewable Energy Growth Program and Distributed Generation Standard Contracts Program since 2013.

2. Has the Board obtained from Mr. Cioe any of the actual pricing data that he has incurred for his project?

No.

3. If the answer to question 2 is yes,

- a) Was the actual pricing data included in the 2016 ceiling price calculation for the Small Scale Hydropower II class?
- b) What would be the assumed costs for Mr. Cioe's hydro project and how do they compare with similar projects developed, or in development, around the region?

4. If the answer to question 2 is no,

- a) State why the actual pricing data from Mr. Cioe was not included in the ceiling price calculation?

Mr. Cioe's actual pricing data were not included in the ceiling price calculation because neither the Board nor OER had access to this data. The Board and OER

distributed requests for cost information to over 240 individuals, including approximately a dozen individuals focusing on hydro development, and go to great lengths to make this list as current and comprehensive as possible. The Board will not be able to identify every possible stakeholder when conducting outreach. Mr. Cioe, his businesses and hydro developers that he has partnered with have been aware that ceiling prices are evaluated and adjusted every year by either OER or the Board, dating back to the design of hydropower power ceiling prices in 2013.

Ultimately, the responsibility rests with renewable energy business/developers or other interested stakeholders to monitor changes to state's annual REG program and associated ceiling prices, including monitoring and registering with the RI Secretary of State website for email notifications when Board meetings are posted.

- b) Should the pricing data from Mr. Cioe's hydro project be included in the calculation of the 2016 ceiling prices? Provide specific reasons supporting your response.**

Actual pricing data are critical to the ceiling price development process. Such data provide insight into the state-of-the-market, and enable comparisons between Rhode Island and regional projects – which is an important step in the development of informed recommendations that balance the cost and deployment objectives of the REG Program. Data submittals and public comments are sought aggressively by the Board and OER, and are considered and incorporated into ceiling price development with care. The Board has already voted on the 2016 ceiling prices and the Board will not be meeting prior to the statutory deadlines regarding the docket review of the REG program and associated ceiling prices. Certainly, if the Commission request, the ceiling prices could be reevaluated for small hydropower with additional data being provided

- c) Identify the differences in the characteristics, legal requirements and project data collected by the Board, between Small Scale Hydropower I and Small Scale Hydropower II which justify the difference in the ceiling prices between these two classes. Specifically, what differences between these 2 classes justify the revised ceiling price of 18.65 for Hydro I and a revised ceiling price of 17.45 for Hydro II. Also explain why the ceiling prices originally proposed in November were an increase for Hydro I and a decrease for Hydro II. Include in your response whether or not state and federal permitting and other legal requirements are the same for these two classes.**

The general characteristics and legal requirements (including state and federal permitting) of Small Scale Hydropower I and II are assumed to be the same. The inputs that result in the differences in ceiling prices are Installed Cost (\$4,500/kW for Hydro I and \$4,200/kW for Hydro II), Project Management (\$5,000 for Hydro

I and \$15,000 for Hydro II), and Property Lease (\$3,000 for Hydro I and \$10,000 for Hydro II). These assumptions, and all others, were provided in SEA’s public meeting presentations and available for written comment, oral comment, and discussion at public meetings. SEA was also made available to all stakeholders on a continuous basis for one-on-one conversations throughout the process. Based on comments received during the 2015 Ceiling Price development process, SEA recommended increasing the assumed installed cost of hydro by \$500/kW for Hydro I and \$200.kW for Hydro II, increasing the assumed O&M cost inflator from 2% to 3% per annum, increasing the Hydro I lease expense assumption, and adding an escalator to the lease assumption for both Hydro I & II. The only other adjustment used to arrive at the 2016 Ceiling Price was the application of Federal incentives. Such Federal incentives were not included in the 2015 Ceiling Price calculation because they were not authorized at the time Ceiling Prices were calculated or approved, and were still not authorized at the time the 2015 enrollments were conducted by National Grid.

The question about Ceiling Prices proposed in November going up for Hydro I and down for Hydro II reveals a typographical error in the January 7, 2016 memorandum from Sustainable Energy Advantage. The numbers in the first column (“PUC-Approved 2015 Ceiling Prices”) of Table 1 were transposed for Anaerobic Digestion and Hydro. The CPs of 20.6 applies to the AD projects. The CPs of 21.35 and 20.10 apply to Hydro I and Hydro II, respectively. Please see the revised Table 1 below. With this correction made, one observes that both Hydro I & II decrease slightly in the November 2015 recommendation. This initial decrease was due to the reduction in the straight-average of statewide property tax rates. The remaining decrease – to arrive at the values in the third column – are a result of the extension of Federal incentives.

Technology	PUC-Approved 2015 Ceiling Prices (¢/kWh)	November 2015 Recommended 2016 Ceiling Prices (¢/kWh)	January 2016 Recommended Revised 2016 Ceiling Prices (including ITC/PTC & Bonus Depreciation) (¢/kWh)
Small Solar I – Host Owned (15 Year Tariff)	41.35	37.65	No Change
Small Solar I – Host Owned (20 Year Tariff)	37.75	33.45	No Change
Small Solar I – Third Party Owned (15 Year Tariff)	37.60	29.90	28.35
Small Solar I – Third Party Owned (20 Year Tariff)	32.95	26.10	24.70
Small Solar II (11-25)	29.80	26.15	24.90
Medium Solar (26-250)	24.40	24.40	No Change
Commercial Solar	20.95	23.15	19.30
Large Solar	16.70	18.35	15.10

Wind I	22.75	24.45	18.75
Wind II	22.35	23.45	18.00
Wind III	N/A	22.65	17.40
Anaerobic Digestion I	20.6	21.20	20.00
Anaerobic Digestion II	20.6	21.20	20.00
Small Scale Hydropower I	21.35	21.00	18.65
Small Scale Hydropower II	20.10	19.75	17.45
Pilot Program			
Small Solar I – 1-10 kW (15 Year Tariff)	N/A	45.25	No Change
Small Scale Solar I – 1-10 kW (20 Year Tariff)	N/A	39.85	No Change
Small Scale Solar – 11-25 kW (20 Year Tariff)	N/A	30.15	No Change
Medium Solar – Non-profit or multi-unit (5 or more tenant units) master metered building	N/A	29.55	No Change

5. Provide any specific reasons not already identified in No. 5 as to why the 2016 Hydro II ceiling price is decreasing from 20.6 to 17.45.

All reasons are explained in response in 4(c), including the transposition error. The Hydro II Ceiling Price for 2015 was 20.10 and not 20.6.

6. Provide the specific reasons why the ceiling prices for Hydro I and II are no longer the same as they were in 2015.

Please see response in 4(c), including explanation of the transposition error.

7. Confirm that regional data was included in the development of the 2016 Hydro II ceiling price, and identify the specific projects by characteristics, i.e. location and level of completion of construction, that were used in the development of the Hydro II ceiling price.

Data for projects under development, even without specificity by location and level of completion, are not publicly available. This underscores why the data request issued each year is so critical. The Board, OER and SEA rely on developer participation, and trust that the data provided will only be used in aggregate and never reported with project-specific detail. Even then, some developers are reluctant to provide project-specific information of any kind. Without data responses, the Board, OER and SEA rely on more general industry experience, and stakeholder participation from prior years.

- 8. What is the Rhode Island Statewide Tax Mill rate and how was it incorporated into the 2016 ceiling prices. Include the R.I. Statewide Tax Mill Rate that was assumed in the ceiling prices for each technology class proposed for 2016.**

Every year, the Division of Municipal Finance publishes a Private Property tax rate for each municipality in the state. The 2016 CP analysis relied on private property tax rates for FY 2015. All solar and hydro projects were applied the straight-average tax rate of \$26.54 per thousand of assessed value. Wind was applied a rate of \$20.19, and anaerobic digestion was applied a rate of \$18.91 – both weighted average values for the municipalities in which such projects are located. In the first year of assumed operation, these rates were applied to 80% of the project cost basis. The cost basis was then reduced 5% per year to a floor of 30%. All tax rates and tax calculations are explained in the presentations delivered at REG Public Meetings.

- 9. This question refers to the Board’s response to Comm3-6 (d)(2) and specifically the following statement, “Data from Rhode Island activities are desirable, although regional data are critical to ensuring that Ceiling Price assumptions are competitive and reflect the broader trends in renewable energy markets.” Does this statement mean that when data from Rhode Island projects are available, the Board will disregard that data if the Board considers it to be non-competitive or non-reflective of “the broader trends in renewable energy markets?”**

No. Rhode Island data has never been disregarded. The development of Wind ceiling prices throughout the DG SC and REG Programs clearly demonstrates how state and regional data are compared and utilized to arrive at Ceiling Prices that are intended to accomplish the Program’s objectives. This statement does mean, however, that the Board cannot accept a single data point directly into the Ceiling Price calculation simply because it represents a proposed project in Rhode Island. The data, when timely received, must be compared to other available data and previously vetted and approved Ceiling Price assumptions.

- 10. Does the Board consider Mr. Cioe’s hydro project to be non-competitive or unreflective, in any way, of the broader trends in renewable energy markets? If so, why? Be specific.**

No. The Board, OER and SEA would have welcomed the opportunity to include Mr. Cioe’s data and experience in the Ceiling Price development process.