



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Rhode Island Division of
Public Utilities and Carriers
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Warwick RI 02888
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January 13, 2016

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

In Re: The Renewable Energy Growth Program – Classes, Ceiling Prices & Targets for 2016----Docket No. 4589B

Dear Luly,

Please find for filing ten (10) copies of the Division of Public Utilities and Carriers, (the "Division"), January 13, 2016, Memorandum authored by Ms. Carrie Gilbert and Mr. Alvaro E. Pereira of Daymark Energy Advisors on behalf of the Division, setting forth their findings and recommendations in response to the Renewable Energy Growth Program-Classes, Revised Ceiling Prices and Targets for 2016 submitted by the Distributed Generation Board on January 8, 2016 for consideration by the Public Utilities Commission (the "Commission") in its review of the above captioned docket.

The Division submits this additional Memorandum in lieu of pre-filed testimony and will have its consultants Ms. Gilbert and Mr. Pereira of Daymark Energy Advisors available at hearing.

I appreciate your cooperation in this matter.

Very truly yours,


Jon G. Hagopian
Senior Legal Counsel

cc: Thomas F. Ahern, Administrator



MEMORANDUM

TO: RHODE ISLAND PUBLIC UTILITIES COMMISSION

FROM: CARRIE GILBERT AND AL PEREIRA — DAYMARK ENERGY ADVISORS

DATE: JANUARY 13, 2016

SUBJECT: DOCKET NO. 4589-B REVISION OF CEILING PRICE RECOMMENDATIONS FOR PASSAGE OF FEDERAL TAX INCENTIVES

On January 8, 2016, the Distributed Generation Board (DG Board) filed a memo by Sustainable Energy Advantage (SEA) regarding recommended adjustments to the ceiling prices for the renewable energy growth program. We have reviewed SEA's memo and the revised ceiling prices it contains.

The ceiling prices have been revised in response to the extensions of the Production Tax Credit (PTC), Investment Tax Credit and Bonus Depreciation which were included in the Consolidated Appropriations Act, 2016 (H.R. 2029), which was signed into law by President Obama on December 18, 2015. The DG Board originally filed proposed ceiling prices on November 13, 2015, which did not include now applicable PTC, ITC and/or bonus depreciation for all resources. The revised prices reflect the applicable incentives for all of the resources except from the Medium Solar category.

The recommended ceiling price for Medium Solar in both the November 13, 2015 report and the January 8, 2016 memo is the same as the approved 2015 ceiling price. The October 9, 2015 presentation by Sustainable Energy Advantage shows that using the 2016 assumptions including the 30% ITC the medium solar ceiling price would be 23.50 cents/kWh versus the 24.40 cents per kWh price recommended. The calculated price incorporating the bonus depreciation would be even lower.

The stated justification provided in the testimony of Jason Gifford filed 12/14/15 for continuing to use the higher 2015 ceiling price for the Medium Solar category is that there has been low penetration in this segment in both Rhode Island and neighboring states. There is no accompanying explanation of why low penetration in the Medium Solar category is a problem or a compelling reason to price the category above the CREST model results. This is a departure from the methodology used for the other categories and the methodology used in previous procurements. We believe that the Medium Solar ceiling price should be calculated using the same methodology as the other categories and request that the DG Board and SEA provide a revised ceiling price for medium solar that incorporates the 2016 cost assumptions and the recent extension of the ITC and bonus depreciation.

Additionally, we have some concerns related to the Pilot Program. Commission 5-1 to the DG Board references a letter written to Kenneth Payne of the DG Board by Ian Springsteel of National Grid, which was appended to NGrid response to COMM 1-11 in Docket 4589-A. In this letter, Mr. Springsteel raised concerns about the extension of the Pilot Program to residential customers because the inability to use tax credits is not unique to low-income residents. Mr. Springsteel cites the solar industry responses to this problem, such as leases and Power Purchase Agreements (PPAs), where the installation company monetizes and passes the tax benefits to customers through the lease or PPA price. We believe the rationale behind the residential solar class in the Pilot Program should be more fully discussed at the hearing on January 14.

We believe the other revised ceiling prices submitted in the January 8, 2016 memo are appropriate and should be implemented.