

May 3, 2016

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4606 - Block Island Power Company  
Waiver Request Under R.I.G.L. § 39-1-27(g)  
National Grid Public Comment**

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's<sup>1</sup> comments for filing as public comment in the above-referenced docket.

Thank you for your attention to this transmittal. If you have any questions, please contact me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4606 Service List  
Steve Scialabba, Division  
Leo Wold, Esq.

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

\_\_\_\_\_  
Joanne M. Scanlon

May 3, 2016

Date

**Docket No. 4606 – Block Island Power Co. – Waiver Request under R.I.G.L. § 39-1-27(g) Service List as of 4/27/16**

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<b>File an original &amp; nine (9) copies w/:</b> Luly E. Massaro, Commission Clerk	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a> ;	401-780-2107
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**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**  
**RHODE ISLAND PUBLIC UTILITIES COMMISSION**

	)	
<b>Block Island Power Company</b>	)	
<b>Waiver Request Under R.I.G.L. § 39-1-27(g)</b>	)	<b>Docket No. 4606</b>
	)	
	)	

**COMMENTS OF THE NARRAGANSETT ELECTRIC COMPANY**  
**d/b/a NATIONAL GRID**

On March 7, 2016, Block Island Power Company (BIPCo) filed a petition (Petition) pursuant to R.I.G.L. § 39-1-27(g) for exemption from (1) the requirement to transfer ownership of generation facilities to an affiliated company, (2) from the prohibition of selling electricity at retail, and (3) from certain standards of conduct. National Grid<sup>1</sup> submits these comments in this docket to clarify certain facts and statements contained in the Petition for the record.

**I. BACKGROUND**

Rhode Island General Laws § 39-26.1-7 authorizes the construction of a small-scale offshore wind demonstration project off the coast of the Town of New Shoreham (Block Island), including an undersea transmission cable that interconnects Block Island to the mainland. Subsection (f) of the statute authorizes National Grid to “own, operate, or otherwise participate in such transmission cable project.” On January 30, 2015, National Grid purchased the engineering, permits, property rights and other development work for the Block Island Transmission System (BITS) project from Deepwater Wind

Block Island Transmission, LLC pursuant to a Transmission Facilities Purchase Agreement, dated June 30, 2014.<sup>2</sup> National Grid will construct and own the new substation on Block Island, as well as the submarine cable and related facilities necessary to interconnect Deepwater Wind Block Island, LLC and BIPCo to existing facilities.<sup>3</sup> Over the past fifteen months, National Grid has worked diligently to procure the submarine cable and substation equipment, and to finalize the engineering design for the project. This includes the work required for the new 34.5 kV substation on Block Island that will interconnect the submarine transmission cable and BIPCo, as well as the combined overhead and underground infrastructure on Block Island.

National Grid has worked closely with BIPCo on the proposed design for Block Island and the schedule of work. BIPCo is aware that it needs to make certain upgrades to its system to accommodate the interconnection. National Grid has been working under the assumption that this side work will be completed by the end of calendar year 2016. In that event, National Grid expects to be able to test and energize BIPCo's equipment for operations by the end of the first quarter of 2017.

## **II. COMMENTS**

As a threshold matter, National Grid is neutral regarding BIPCo's request to continue to own and maintain its generation facilities following BIPCo's interconnection; however, it is worth noting that there may be times in which BIPCo's transmission

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

<sup>2</sup> Pursuant to R.I.G.L. § 39-26.1-7(f), the Rhode Island Division of Public Utilities and Carriers consented to the Transmission Facilities Purchase Agreement in a Consent Decision issued on April 2, 2014.

service is interrupted when planned maintenance or emergency outages impact the facilities at the Wakefield or West Kingston substation, or along the cable route. BIPCo's ability to maintain generation facilities on Block Island, in such an event, will help to alleviate reliability concerns on Block Island. National Grid would also like to clarify certain statements and characterizations that BIPCo makes in its Petition concerning a backup transformer for the new substation, and BIPCo's eligibility for capacity payments from the Independent System Operator – New England (ISO-NE) as the basis for its waiver request.

#### A. Backup Transformer

In its Petition, BIPCo makes certain statements regarding the need for back-up facilities even after Block Island is connected by the undersea transmission cable in the event of a cable break, storm outage, or a transformer or other equipment failure in either the Wakefield substation or in the Block Island substation.<sup>4</sup> This need for back-up facilities is part of the basis for BIPCo's request that it be allowed to continue to own and maintain its generation facilities. BIPCo further states that National Grid has "elected not to maintain a backup transformer for its substation on Block Island" because "apparently National Grid does not want to incur that expense."<sup>5</sup> In addition, BIPCo states that in the event of a failure of National Grid's transformer, it will be "necessary to find a new transformer, ship it to the Island, and install it."<sup>6</sup> BIPCo cites the uncertain length of time

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<sup>3</sup> The BITS project also includes a new 34.5KV substation on the mainland that will interconnect the submarine transmission cable with National Grid's existing network, as well as 4 miles of underground infrastructure and upgrades at the existing Wakefield and West Kingston substations.

<sup>4</sup> See Petition, para. 21.

<sup>5</sup> Petition, para. 22.

<sup>6</sup> Petition, para. 23.

in which this process will take as a reason why it is essential for BIPCo to continue to have its generation equipment available.

BIPCo has acknowledged that backup generation will be required in the event of a planned outage or other maintenance of the substation equipment.<sup>7</sup> Notwithstanding whether BIPCo maintains its existing generation facilities, National Grid also believes that it would be prudent to have a spare transformer in place as a backup to the transformer that will be installed in the Block Island substation for the reasons discussed below. The type of transformer that will be installed at the Block Island substation (34.5 kV to 2.4 kV) is unique to the National Grid system and any transformer that would be kept in inventory as a spare in case of a transformer outage on Block Island would be held solely to provide backup to BIPCo. If a spare transformer is not procured in advance, and there is a transformer failure at the Block Island substation, National Grid estimates a long lead time to procure a replacement transformer of this type. Currently, the amount of time it would take to purchase a backup transformer and have it shipped to Block Island is approximately 8 to 9 months, which is the longest lead-time item associated with the substation interconnection facilities for BIPCo. Therefore, National Grid believes that it would be prudent to purchase a spare transformer in advance.

National Grid has discussed two options with BIPCo for the purchase of this transformer at a meeting that took place on or around March 10, 2016. The first option would be for National Grid to procure and own the transformer on behalf of BIPCo. The

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<sup>7</sup> See Local Network Service Agreement by and between New England Power Company, BIPCo, and ISO New England, Inc., Part II, Sec. 3(q) (“Transmission Customer understands that the source to the 34.5 kV Block Island substation is a radial feed from the Transmission Owner’s Affiliate’s Wakefield Substation

cost of the transformer would be supported by National Grid's affiliate, New England Power (NEP), under the Integrated Facilities provisions of NEP's FERC Electric Tariff No. 1. NEP, as the National Grid affiliate providing transmission service to BIPCo under Schedule 21 – NEP to the ISO-NE Tariff, would then directly assign the monthly carrying cost of the spare transformer to BIPCo as a part of its monthly transmission charges.<sup>8</sup> Direct assignment of such costs to an interconnecting transmission customer is consistent with Schedule 21-NEP to the ISO-NE Tariff and FERC precedent for facilities and equipment that are for the sole use of a transmission customer interconnecting new load.<sup>9</sup> The second option would be for BIPCo to purchase the spare transformer on its own behalf and own it. BIPCo has declined both options.

In summary, the backup transformer in question is the type that is unique, and neither NEP nor the Company would have any use for this transformer except as a backup to the Block Island substation. In addition, NEP's transmission tariff and general FERC ratemaking precedent require that interconnecting transmission customers be directly responsible for the costs of interconnection facilities and equipment that are for their sole use, as evidenced by the cost assignment provision cited herein. For this reason, National Grid is not able to procure a special transformer for BIPCo's facilities at the expense of all other NEP customers. However, as previously indicated, National Grid is willing to purchase the transformer on BIPCo's behalf, provided BIPCo pays for it over time through monthly direct assignment facilities carrying charges under Schedule 21-NEP of the ISO-NE Tariff.

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and that there will be an interruption to network service whenever the feeder breaker at Wakefield or the Block Island Transmission System is unavailable.”).

## B. Capacity Payments

In its Petition, BIPCo states that it may be eligible to become part of the ISO-NE system if it continues to own its generation equipment, which may put BIPCo in a position to obtain capacity payments from ISO-NE.<sup>10</sup> BIPCo also states that it may be paid for the energy it sells if it is called to operate, or for the energy generated during routine maintenance.<sup>11</sup> BIPCo cites the possible capacity and energy payments as a way in which to hold down rates and offset other costs involved with connecting to the mainland.<sup>12</sup> At this time, BIPCo has not initiated an interconnection request through National Grid or ISO-NE to generate power into the wholesale markets. It is also worth noting that the system was designed to service load. There will still be more costs and upgrades necessary in order for BIPCo to generate simultaneously with the cable being in-service.

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<sup>8</sup> See Schedule 21-NEP, Sec. 24.6 Direct Assignment Facility Charge.

<sup>9</sup> See Schedule 21-NEP, Sec. 22.1 General Understandings.

<sup>10</sup> See Petition, para. 24.

**III. CONCLUSION**

National Grid thanks the PUC for the opportunity to submit these comments, and hopes that these comments will assist the PUC in this docket.

Respectfully submitted,

**NATIONAL GRID**

By its attorney,

A handwritten signature in blue ink, appearing to read "Jennifer Brooks Hutchinson", followed by a horizontal line extending to the right.

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Jennifer Brooks Hutchinson (RI Bar #6176)  
National Grid  
280 Melrose Street  
Providence, RI 02907  
(401) 784-7288

Dated: May 3, 2016

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<sup>11</sup> See Petition, para. 25-26.

<sup>12</sup> See Petition, para. 27.