

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

IN RE: RENEWABLE ENERGY GROWTH)
PROGRAM FOR YEAR 2018 RI DISTRIBUTED)
GENERATION BOARD AND NATIONAL GRID)
_____)

Docket 4774

**NEW ENERGY RHODE ISLAND
OBJECTION**

New Energy Rhode Island (NERI) objects to the proposed filings. National Grid should not serve in a gatekeeping function for the renewable energy industry. Commission intervention is necessary now “to protect and promote the convenience, health, comfort, safety, accommodation, and welfare of the people.” R.I. Gen Laws §§39-1-1(a)(1)-(2).

Our General Assembly has resolved that the business of distributing electrical energy is “affected with a public interest,” that lower electrical rates promote our economy and general welfare, that the price of energy in Rhode Island create hardships in our state, and that it is necessary for Rhode Island to achieve reasonable, stable rates, and system reliability that includes energy resource diversification and distributed generation. R.I. Gen Laws §39-1-1(a)(1), (d)-(e). It has declared that “[s]upervision and reasonable regulation by the state of the manner in which such businesses . . . carry on their operations within the state are necessary to protect and promote the convenience, health, comfort, safety, accommodation, and welfare of the people, and are a proper exercise of the police power of the state.” R.I. Gen Laws §§39-1-1(a)(1)-(2). With these purposes and declarations in mind, the legislature “vested in the public utilities commission and the division of public utilities and carriers the exclusive power and authority to supervise, regulate, and make orders governing the conduct of companies offering to the public in intrastate commerce energy, communication, and transportation services and water supplies for the purpose of increasing and maintaining the

efficiency of the companies, according desirable safeguards and convenience to their employees and to the public, and protecting them and the public against improper and unreasonable rates, tolls and charges by providing full, fair, and adequate administrative procedures and remedies. . .” *Id.* at §39-1-1(c). The Commission’s enabling legislation is to be “interpreted and construed liberally in aid of its declared purpose” and the Commission is given, “in addition to powers specified in this chapter, all additional, implied, and incidental power which may be proper or necessary to effectuate their purposes.” *Id.* at §39-1-38.

For many years renewable energy developers have advocated to reduce the many unnecessary and counterproductive burdens that inhibit the development of a more secure, less expensive and cleaner energy supply. Those efforts have required the dedication of too much hard-earned resources and have been met with much frustration. The industry needs the kind of regulation that will put in place the mechanics needed to deliver the new energy economy state policy calls for so loudly and with such clarity.

Rhode Island’s Distributed Generation Standard Contract program and Renewable Energy Growth programs are not meeting their goals. On September 25, 2017, National Grid reported the DG Board that only 22 megawatts (22MW) of the 40MW to be developed under the distributed generation standard contract program are built and in operation; 17MW of projects were cancelled after enrollment.¹ The DG Standard Contract program launched in 2011 and was to have developed 40MW by 2015. The Renewable Energy Growth Program was to have enrolled 105MW of projects by now. Only 70MW are enrolled with all but 7MW yet to be built and operational. This alarming performance record requires immediate diagnosis and attention.

¹ “Rhode Island Renewable Energy Program Distributed Generation Board Presentation,” National Grid (September 25, 2017). Relevant excerpts attached.

It is up to the Board to determine why DG Standard Contract and REG projects are not getting built. It is possible that the problems arise out of the administration of renewable energy development processes like interconnection and siting. It is also highly possible that the troubles are born out of the project economics dictated by the DG Board's ceiling price inputs and model. NERI questions how the model's return on investment and ceiling prices (which have diminished since the start of the program) could be considered sufficient given the rate of project failure.

Most importantly, NERI regrets and objects to the State's failure to incorporate even readily available elements of the value analysis that stakeholders unanimously approved in Docket 4600 when considering the REG pricing exercise. The State of Rhode Island will get the value it is willing to invest in, and if we fail to pay for the real and calculable benefits that come out of distributed generation, we will not realize them. One of many concrete examples of this is the Board's failure to require the implementation of the locational incentives that were codified with the launch of the Renewable Energy Growth Program. R.I. Gen. Laws §39-26.6-2.

In order to provide the electric-distribution company with the flexibility to encourage distributed-generation projects to be located in designated geographical areas within its load zone where there is an identifiable system benefit, reliability benefit, or cost savings to the distribution system in that geographical area, the electric-distribution company, in consultation with board and office, may propose to include an incentive-payment adder to the bid price of any winning bidder that proposes a distributed-generation project in the desired geographical area. The electric-distribution company also may propose other incentive payments to achieve other technical or public policy objectives that provide identifiable benefits to customers. Any incentive-payment adders must be approved by the commission, and shall not be counted as part of the bid price when the bids are selected at an enrollment event.

Leaving the administration of locational incentives to National Grid is not working. The Board does not have to cede that discretion. Indeed, R.I. Gen. Laws §39-26.6-2 calls on the Board to oversee the implementation of real valuation of all the benefits identified so carefully and thoroughly in Docket 4600, as soon as they can be adequately quantified and applied. Once again, it says: "The electric-

distribution company also may propose other incentive payments to achieve other technical or public policy objectives that provide identifiable benefits to customers.” R.I. Gen. Laws §39-26.6-5 (d) also makes clear that in setting compensation for projects the DG Board may consider (3) Environmental benefits, including, but not limited to, reducing carbon emissions and (4) System benefits. To date, the methodology used for evaluating REG project compensation has never considered any benefits in any way.

It is essential to understand the role of regulators in our current energy environment. In the final report from the Power Sector Transformation process, the State of Rhode Island declares:

the primary financial means through which the utility can grow its business and enhance earnings for shareholders is to invest in capital projects. This bias, created by the regulatory framework rather than by the utility itself, discourages the utility from seeking more efficient solutions that do not depend on large capital investments (p. 16). . . the current regulatory framework does not incent the utility to maximize integration of DER, which would reduce customer exposure to increasing wholesale supply costs and also increase the region’s energy security. That is, the regulatory framework may not sufficiently incent the utility to build a DER-centered system, consistent with the state’s Least-Cost Procurement statute. Instead, under the current regulatory framework the utility neither benefits nor is penalized from increasing electricity supply costs that customers pay. (p. 18)

Sadly, the final report concludes its section on the Utility Business Model with this concession:

The proposed robust performance incentive mechanisms are designed to leverage the utility to maximize its overall return on equity to achieve state objectives that will benefit ratepayers. However, even in the presence of these incentives, there will remain an inherent financial bias for the utility to apply capital expense solutions rather than operational expense solutions, because the utility’s authorized return on equity applies to capital expenses, not operational expenses.

It is clear that National Grid administers the REG Program while conflicted by its goal to maximize profits from large capital investments in transmission and distribution infrastructure that are impeded by distributed generation and enhanced by centralized generation. It is unreasonable to expect National Grid to be a fair arbiter of REG or to expect that the DG Board or Commission can adequately weed out and police the many opportunities to discourage distributed generation through administration of this program.

One means to improve program performance (actually getting projects on line and operating as the statutes intended) would be to offer up unused capacity at the end of each enrollment year rather than storing it up for enrollment at the end of program implementation. Developers need more off-take capacity for existing, planned developments and amassing enrolled but unused capacity for one enrollment at the end of program implementation leaves viable projects hanging while putting a lot of pressure on one future enrollment to satisfy program objectives.

Under the current process, National Grid has the "discretion" to reallocate unused capacity in a program year from undersubscribed categories to oversubscribed categories. National Grid has no obligation or incentive to do this. There is unused capacity in some categories of the current program year that National Grid has yet to reallocate. They first commented that they knew nothing about unused capacity at the end of November, which turned into mid-December. Then at the stakeholder meeting last week Tim Roughan said they won't know what is unused until the second week of January. A NERI participant asked the DG Board why it does not control the reallocation and whether National Grid is under any obligation to reallocate. The response was that National Grid has the "discretion" to reallocate capacity based on applications received. The DG Board should commit to freeing up unused capacity within a set time period.

It is time for the Commission to require the DG Board to provide better valuation of distributed energy resources and better compensation for those resources. Without that intervention,

we will not meet the General Assembly's goals for the program.

NEW ENERGY RHODE ISLAND

By their attorneys,

HANDY LAW, LLC

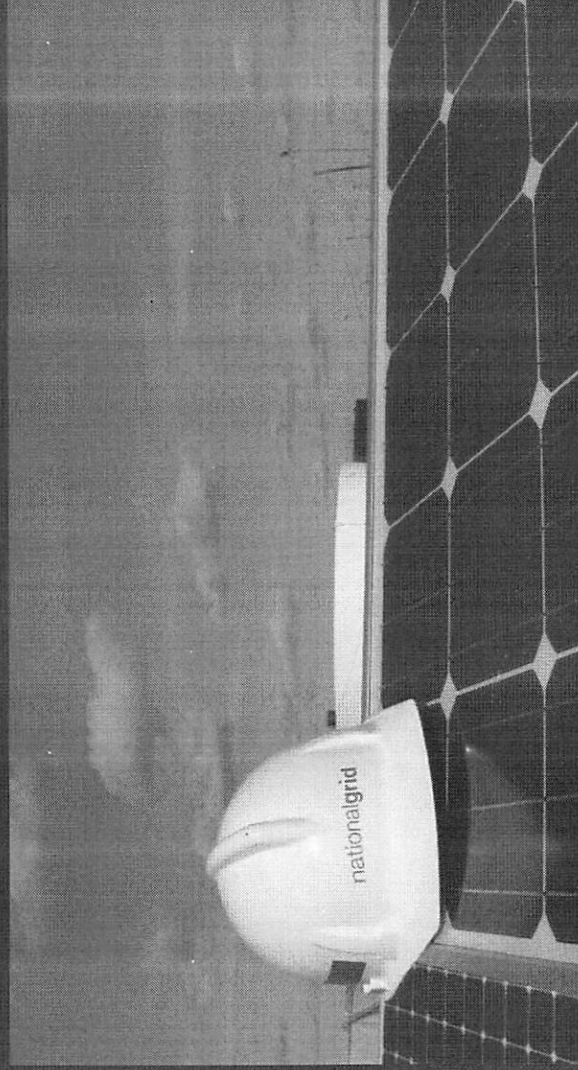


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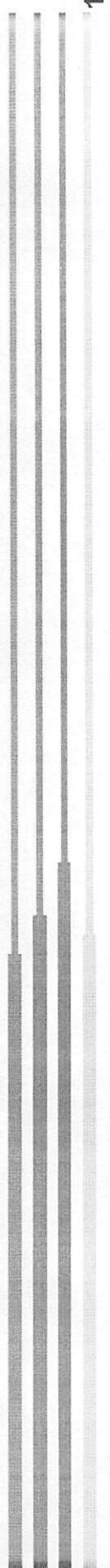
Rhode Island Renewable Energy Growth Program

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Distributed Generation Board Presentation
September 25, 2017



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Summary of DG Standard Contract and RE Growth Programs Enrollment and Operational Status, 2011-2017

RI DG Standard Contracts Program Summary

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Year	Total Awarded		Operational		Pending		Cancelled/Terminated	
	Nameplate (kW)	Number of Projects	Nameplate (kW)	Number of Projects	Nameplate (kW)	Number of Projects	Nameplate (kW)	Number of Projects
2011	5,000	4	4,000	3	0	0	1,000	1
2012	11,177	12	10,028	9	0	0	1,149	3
2013	8,471	15	5,025	11	0	0	3,446	4
2014	16,973	19	3,742	3	1,250	1	11,981	15
RI DG Projects Summary:	41,621	50	22,795	26	1,250	1	17,576	23

Note#1: The one remaining 2014 Solar project is expected to be commercially operational by end of year.

Note#2: Data is current as of 9/19/2017.

RI RE Growth Program Summary

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Year	Total Awarded		Operational		Pending		Cancelled/Terminated	
	Nameplate (kW)	Number of Projects	Nameplate (kW)	Number of Projects	Nameplate (kW)	Number of Projects	Nameplate (kW)	Number of Projects
2015	19,474	20	6,934	6	12,540	14	0	0
2016	22,909	30	0	0	22,909	30	0	0
2017	27,813	26	0	0	27,813	26	0	0
RI RE Growth Summary:	70,196	76	6,934	6	63,262	70	0	0

Note#1: The 2017 data includes projects awarded Certificates of Eligibility in the 2017 Second Open Enrollment and six of those projects are pending PUC approval.

Note#2: Data is current as of 9/19/2017.