

October 24, 2005

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

RE: Proposed Rules and Regulations Governing the Implementation of a Renewable Energy Standard—**Comments by The Narragansett Electric Company**

Dear Ms. Massaro:

This letter provides additional comments by The Narragansett Electric Company (National Grid or the Company) on the proposed rules and regulation issued on this matter on September 23, 2005. The Company filed initial comments on October 11, 2005, in advance of the hearing on October 12. This letter supplements those comments and responds to issues raised at the hearing. In our initial comments, we suggested that the Commission not adopt the changes to section 8.3 and 8.4 of the regulations, the first of which required long-term contracts between distribution companies and renewable suppliers, and the second which required a separate line item on the Company's bills showing the cost of compliance. Both of these changes were discussed at the October 12 hearing, and this letter supplements those comments.<sup>1</sup>

**Section 8.3. The Requirement of Long Term Contracts with Renewable Suppliers.**

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<sup>1</sup> During the hearing, two other issues were raised that merit brief mention. First, Mr. Grasso of the Silent Sherpa suggested that the independence of Dr. Raab, the leader of the Collaborative, was compromised because National Grid is one among several of the supporters of the Roundtable discussions that occur each month on a range of topics related to restructuring the electric industry. The Roundtable is an educational forum that was originally started by the Massachusetts Division of Energy Resources, and has been continued by Dr. Raab. Our support of the organization gives us no right to control the content of the presentations at the Roundtable itself or Dr. Raab's views in other proceedings. We are only one of many supporters of this educational forum. Other supporters include competitive suppliers, distribution companies, the ISO New England and consultants. For more information on the Roundtable, please go to the following web site: <http://www.raabassociates.org/main/roundtable.asp>. Our support provides no basis for finding a conflict in this proceeding.

Second, Mr. Grace at the hearing and the State Energy Office in its comments have suggested that we mischaracterized Mr. Grace's analysis of the economics of renewable energy certificate purchases. Any mischaracterization is unintended. Rather, we simply quoted Mr. Grace's title for his chart, which is chart 16 in the presentation that is attached to the October 21, 2005 letter. The title of that chart is "Example: 10 Year Term, \$15 REC Price floor, 10 % discount rate." Emphasis supplied; see also Chart 17 (15 Year Term). We were not characterizing Mr. Grace's charts, we were quoting them.

As we explained in our initial comments, we do not believe that it is appropriate to require distribution companies to execute long-term contracts with renewable energy suppliers. Accordingly, we suggested that the requirement be deleted, and that the Commission adopt the language proposed by the Collaborative. Under that proposal, the Company would solicit bids for longer term commitments and share those bids with other parties for the period beyond the end of the Standard Offer.

During the hearing and in its comments, the State Energy Office acknowledges that “there may be prices at which long-term contracts do and don’t make sense,” and suggests the State Energy Office “*would not oppose* a requirement that long-term contracts be considered in procurement plan, but would not insist that long-term contracts be required.” Narragansett also acknowledges that consideration of longer term commitments may be warranted as we develop the procurement approaches that may be implemented for last resort service and the supply arrangements that are put in place after the end of the Standard Offer period. However, we continue to believe that long-term contracts should not be mandated by the regulations. To implement this approach, Narragansett suggests that the Commission delete the proposed change to the Collaborative proposal in Section 8.3, and instead to amend Section 8.5(iii) to read as follows (emphasis supplied):

“The electric distribution company will also request expressions of interest to purchase NEPOOL GIS Certificates from Eligible Renewable Resources for itself or for any qualified interested party that executes a non-disclosure agreement with the electric distribution company (“Participating Purchaser”). The electric distribution company or a Participating Purchaser may purchase the remaining Eligible Renewable Energy Resources for periods II or III above from bids provided in response to the Annual RFPs. The electric distribution company shall share the bids with any Participating Purchaser, and shall delineate the process by which it will initiate negotiations between the bidders of Eligible Renewable Energy Resources and itself or other Participating Purchasers whereby the Eligible Renewable Energy Resources may be procured for Periods II and III, above. Both the electric distribution company and the Participating Purchaser shall have the right to decline to enter into a purchase commitment for any period or portion thereof.”

#### **Section 8.4. Itemization of Compliance Costs on Customer Bills.**

The Company’s second suggestion focused on itemization of Renewable Energy Standard compliance cost on customer bills. During the hearing, most parties endorsed this opposition. Commission Counsel suggested that an alternative could involve appropriate disclosure of the Renewable Energy Standard law and its associated regulations regulatory requirements elsewhere in the Company’s communications. We agree with this approach and would agree to inform customers of the new requirement either in a separate bill insert or in its newsletter to customers at the inception of the program and periodically thereafter.

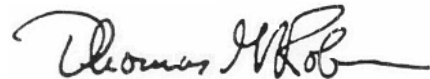
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**Conclusion**

For the reasons stated here and in our initial comments, the Company requests the Commission to adopt the revisions to the regulations set forth above, and to delete the language requiring itemization of Renewable Energy Standard compliance costs on customer bills.

Thank you for your attention to our comments.

Very truly yours,

A handwritten signature in black ink, appearing to read "Thomas G. Robinson", with a long horizontal flourish extending to the right.

Thomas G. Robinson

cc: Collaborative Participants