



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION

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MEETING
RHODE ISLAND RENEWABLE ENERGY COORDINATING BOARD

December 19, 2012
9:00AM – 10:00 AM
RI Department of Administration
Conference Room B

AGENDA

WELCOME (Chairman Richard A. Licht)

The meeting was called to order by Chairman Licht at 9:00 AM.

Renewable Energy Coordinating Board (RECB) Members in Attendance:

Janet Coit, Director, Department of Environmental Management
Grover Fugate, Executive Director, Coastal Resources Management Council
Marion Gold, Administrator, Office of Energy Resources
Chairman Richard Licht, Director, Department of Administration
William (Bill) Parsons, Acting Director, Economic Development Corporation

Advisory Council Members in Attendance:

Doug Sabetti, Bob Chew, Jennifer McCann, Bob Morton, Larry Dreiser, Michelle Mulcahy, Robert Toomey, Dan Weinberg, Seth Handy, Bruce DiGennaro, Karina Lutz, Bill Ferguson, Malcolm Spaulding

Others in Attendance:

Jerry Elmer, Chris Kearns, Gary Arnold, Fred Unger, Allison Rogers, Kevin Flynn, Charity Pennock, Jamie Fordyce, Mark DePasquale, Linda George, Alan Clapp, Paul Brule, Roland Moulin, Rachel Sholly, Dan Richardson, Shawn Allen, Robert Cagnetta, Barry Wenskowicz, Paul Gonsalves, Hannah Morini, Charles Hawkins, Paul Raducca, Vito Buonomano, Michelle Carnevale, Danny Musher, Eric Offenber, and Tim Faulkner

APPROVAL OF THE MINUTES

Bill Parsons made a motion to approve the November 27th RECB & EERMC joint meeting minutes. It was seconded by Janet Coit and passed unanimously.

PUBLIC COMMENTS RECEIVED

Bob Chew would like to address the issue of the soft costs of renewable energy (RE)

installations in a presentation to the Board. He said we pay the same for the RE hardware that they do in Europe, but it is the soft costs that drive up the price of RE in RI. Richard L. said that he is more concerned with comparing the soft costs in neighboring states than in Europe. He said that before Bob C. makes his presentation he should speak with Marion G. and Leslie Taito who is the head of the new Office of Regulatory Reform, which was recently transferred into the Department of Administration.

Marion G. commented on how the wind turbines at Field's Point fit into the landscape but is not so sure about the large new wind turbine that has been installed in North Kingstown near the Wickford Train Station. Her husband, however, felt it was good to have the turbine so close to the station & Wal-Mart so more people can see and respond to it.

Grover F. said that the Bureau of Ocean Management will be holding a public workshop for the off-shore wind auction format on January 15th. Richard L. wanted to make sure the Board was familiar with this issue which is very important for RI. When the regulations were first being developed to lease 164,750 acres of the RI & Massachusetts coast for off-shore wind development, RI, New Jersey & Delaware got out in front of the process and started to do RFPs for developers and had entered into development agreements. These weighing factors were intended on assisting these states in the auction process.

However, the feds changed the format to a live bidding process, and the weighing factors that were supposed to go to these states went out the window; except for certain discounts for developers who had power purchase agreements (PPAs) in place. However, since no State in New England has a PPA, or any hope of getting one prior to the auction, it is kind of a useless weighing factor. The result could be that the power from a PPA in RI waters could go to New York. Richard L. said that the Governor has weighed in on this issue. Richard L. asked Grover F. & Marion G. to facilitate a meeting with the Governor's policy office in January so the State will have a coordinated voice at the January 15th hearing. He said the agreement the State has with Deepwater Wind mandates certain economic benefits for the state. Richard L. is concerned that a foreign firm could win a bid in RI waters, manufacture the components and do the assembling work outside RI, and sell the power to New York.

Bill F. said to be careful what you wish for. He feels the price of power in the Deepwater agreement is too high. To expect that project to offer competitive pricing is iffy right now. He sees no evidence that the price will be competitive which will hurt economic development in the state. Using the Cape Wind example, the price of offshore wind appears to be over priced. He feels the Public Utilities Commission (PUC) has the authority to make a decision based on rate impact. The PUC needs this authority. The problem with RI is that we can only spread the higher cost of energy over a smaller amount of KWh than other states. Massachusetts has five times more KWhs than RI and can spread the cost over a larger distribution area. They can better cope with the high Cape Wind prices. Bob T. asked if the RI Congressional Delegation is aware of this

issue. Richard L. said he and Marion G. have met with both Senators and this issue is high on their agenda.

UPDATE ON REVIEWING EXISTING RHODE ISLAND RENEWABLE ENERGY LAWS

Marion G. said that the OER and the RECB is going to be conducting a review of RI's RE laws. There was a thought to set up another commission for this task but Richard L. said that the RECB should take the lead. This was discussed at the November joint meeting with the EERMC and she wanted to go over it again.

The takeaway message is that whatever the RECB does in RI has to be done in the context of what is going on in the region. Therefore, the OER has formed a subcommittee of the RECB, which will meet on a regular basis, to take on this task. One meeting has already been held and another scheduled for December 21st. They will report on a suite of recommendations for March RECB meeting. This is important because RI has a fragmented suite of RE laws in place with different expiration dates. NGrid needs to be at the table during these deliberations.

REGIONAL RENEWABLE ENERGY MARKET UPDATE PRESENTED BY THE PUBLIC UTILITIES COMMISSION (PUC)

Nick Ucci, the PUC's Principal Policy Analyst, was introduced to give this power point presentation (attached). He is the PUC's point person on regional energy matters. He began by going over the status of RI's RE Standard (RES) and the long-term RE contracting statute. The RI RES mandates that the state procure 16% of its total electric load from RE sources by 2019. 14% of this must be from "new" RE resources which began operations after December 31, 1997. The primary RE sources are solar, wind small hydro and biomass.

Each load serving obligated entity must file an annual compliance report with the PUC. When the PUC finishes compiling this data it files an annual report to the General Assembly by February 15th. Richard L. asked if the PUC breaks out what is actually produced in RI. Nick U. said that in their annual report they provide charts that give retired Renewable Energy Certificates (RECs) and where they were produced by state and by fuel type. RECs represent the right to claim the attributes and benefits of RE generation and they are tracked through contract arrangements or regional tracking systems. One REC equals one MWh of electricity placed on the grid. A REC can only be used once. When it is retired for a state's RES, it can't be used in other jurisdictions. Five of the New England states have RES that are similar to RI.

An entity can either purchase RECs or make alternative compliance payments (ACPs) which flow into the RE Development Fund, housed in the Economic Development Corporation (EDC). The purpose of this fund is to spur new RE development. The ACP rate is adjusted annually and for 2012 the ACP is \$64.02. Up until last year the ACP mechanism was not frequently used because REC supply has been fairly robust.

As of November 2012, there were 104 eligible new & existing RE resources that have been certified by the PUC which produce 1,054.2 MW of RE capacity. Another 29 RE resources are pending which represent 752.2 MW of RE capacity. Of these 50 are new RE resources and 54 are existing. Richard L. asked how many of the 104 were located in RI. Only 11 certified units are in RI. More than half are located in Maine & Massachusetts. Of the 50 new units, 10 are located in RI representing 47 MW of capacity.

Richard L. asked if a RI facility is certified by the PUC does it mean that it is certified in all six New England States. Nick U. said that you need to get RI produced RECs certified in each individual state. Grover F. asked if the PUC was looking at a New England procurement process for RECs. Nick U. said that New England states were looking to do coordinated regional procurement in all energy fields, not just RECs.

Nick U. then continued on to discuss the current price volatility of RECs. Up until the end of the fourth quarter of 2011 REC prices had been stable. They were in the \$15-\$30 range. However, a combination of economic and supply factors has lead to a sudden spike.

Some reasons for this spike are: biomass units running less due to cheap natural gas; New York RE units, especially hydro, which had previously exported their power to RI have entered into long-term contracts with NYSEERDA to keep that power in New York; an increase in the RES mandates in each NE state; and continued uncertainty over whether the federal production tax credits will be renewed. Compounding these supply constraints is the recession which has tightened capital markets and impacted investment. This has put downward development on new RE resources. The result of this is the REC pricing rising to the \$62 range almost overnight. Karina L. asked if siting constraints were also driving this price spike. Nick U. said he could speak directly to that, but anything that dampens new resources results in an upward pressure on prices.

2011 compliance date indicates that of the 17 obligated entities serving load in RI, 10 met their RES obligations through RECs and 3 utilized ACPs for their entire obligation. NGrid represents 70% of the load delivery and accounted for \$4.5 of the \$5.2 million in ACPs paid to the EDC. The REC shortfall was 30% in 2011 compared to 1% in previous years. The quickness of the price spike did not enable entities to adjust their planning in order to secure RECs. Richard L. asked if the PUC has data to indicate if the 10 entities that made their REC payments were located in RI. Yes, PUC can track where those RECs were and that data goes into the PUC's annual report to the Assembly. Nick U. showed a chart that displayed the increase in ACPs from \$21,812 in 2010 to \$5.2 million in 2011. This is a large revenue stream for the EDC.

Nick U. then gave an update on the long term contracting program, which expires at the end of 2013. To date, NGrid has entered into four utility scale PPAs: Deepwater Wind's off-shore Block Island project; the Gemco landfill gas facility at the landfill; the Orbit Biogas Project in Johnston and the Black Bear Hydro Project in Maine. They have also entered into 16 distributed generation standard contracts, one wind and 15 solar. The

total nameplate capacity is 48.02 MW or 53% of the 90 MW mandate. Richard L. asked if this 90 MW will be included in the 16% RES target. Jerry E. said that the long term contract MW is over and above the 16%. The long term contracting stipulation is to buy bundled capacity which includes power and capacity. Richard L. asked if the Deepwater project includes RECs will they be included in the 16%. Jerry E. said that it is NGrid's choice of what they want to do with the Deepwater RECs. The costs of long term contracting are recovered by the ratepayers.

As an example of the synergy between the RES and long term contracting is NGrid's 2013 RES Procurement Plan, approved by the PUC, where new RECs obtained through long-term RE contracts will be used to help satisfy their RI RES obligation. This is a shift in policy and it is being done to reduce administrative transaction fees. By 2015 NGrid anticipates that new RECs will exceed the RES obligation. Richard L. felt this would be a good place to stop Nick U.'s presentation because they were running out of time. He would like Nick U. to come back and give a regional RE presentation at the January meeting. He said this presentation was very helpful and opened up the floor for questions.

Grover F. asked if the 16% RES obligation is set in the law. Yes, and it goes up each year and levels at 16% in 2019. Nick U. said that the PUC has a chance to review the law and any supply constraints in 2013. They can pause and flat line the obligation for a year. A question was asked how the 16% was arrived at and can it go up. No, it is set by law and the PUC can not increase it. Richard L. said the RECB would like to be involved in this review process because one of its charges is to review RI RE laws. He said the RECB would like to be involved in any hearings held during this review.

Nick U. then briefly described a new regional initiative by the six New England PUCs to coordinate RE procurement. This is a goal of the six New England governors. They want to identify low cost RE resources to help meet state RES mandates. Several reports have been produced and a RFP was issued that identified 4700 MWs of new resources. The study revealed that a lot of wind potential existed in New England, with most of it located in Maine. Last spring, a working plan was formulated and initial discussions held. A regional consultant has been hired to help draft PPAs and RFPs. The goal is to issue an RFP by next December. Hannah M. said she had heard that they were halting large wind development in Maine because the grid can't handle the infrequency. Nick U. said that was consistent with what was going on regionally. He feels everything hinges on what Washington does with the Production Tax Credit. Without this credit wind would have a hard time competing without significant state level subsidies.

Grover F. said that RE could mitigate climate change and if you externalized the cost you would get more RE development. He cited Hurricane Sandy where the waves were 50% higher than was thought possible. He feels you are likely to see more such weather events. Climate change will come into play more and more in the energy arena.

Richard L. said, for the next meeting, he would like Janet C. & Marion G. to talk about what is going on with RGGI. He would like to look at the long term environmental costs

of fossil fuels. Cheap natural gas does come with environmental costs. He feels you can't have an energy policy without looking at the big picture.

Janet C. made a motion to adjourn the meeting. It was seconded by Richard L. and passed unanimously.