

DISTRIBUTED GENERATION CONTRACTS BOARD MEETING

July 21, 2014

4:00 – 5:30pm

Conference Room A

RI Department of Administration

1 Capitol Hill Rd

Providence, RI

MINUTES

Board Members Present: Ken Payne, Chris Kearns, Charity Pennock, Sheila Dormody, Sam Bradner, Christine Malecki West, Sharon Conard-Wells, Hannah Morini, Marion Gold, Ian Springsteel, and Bill Ferguson

Attendees: Jon Mancini, Sarah Jane Lapp, Ron Bennett, Russ Maymon, Scott Milnes, Carlos Rita, Barry Wenskowicz, Kat Burnham, Tim Faulkner, Palmer Moore, Dan Majcher, Ben Swanson, George Auslade, Stacy Ambroziak, Karen Bradbury, Mike Sokoll, Tom Swank, Paul Raducha, Chris Rein, Doug Sabetti

Ken Payne called the meeting to order at 4:02pm with a quorum of 5 voting members present. The other members listed joined after the meeting had been called to order. Mr. Payne welcomed everyone to a different reality as the board transitions from one identity and set of obligations to a new expanded role.

Consideration of Minutes from Prior Meetings

Meeting minutes were disseminated in advance. No amendments were suggested.

The minutes from the December meeting were not voted on at the prior meeting. Mr. Bradner motioned to approve the minutes and was seconded by Ms. West. All voted in favor.

Motion to approve minutes from June 16, 2014 meeting by Ms. Pennock, seconded by Ms. West. All voted in favor.

Suggestion from Mr. Bradner that meeting minutes include mainly the agenda, discussion highlights, questions, and next steps.

Old Business:

A) Consultant Services Procurement Process:

Update from OER: Chris Kearns forwarded around the draft RFP for consultant services around ceiling prices. Comments were submitted; the RFP was finalized at OER and was posted on Friday, July 18th. The packet provided to the Board contained the final version of the RFP. The

board's technical review committee (Mr. Payne, Ms. Morini, Ms. Pennock, and Mr. Kearns) will review the applications and make recommendations to the board.

OER also filed the docket with the Public Utilities Commission for \$65,000 to fund the consultant's work. The Commission has 60 days to make a decision. Dan Majcher will respond to all data requests.

New Business:

A) Correspondence: Seth Handy on behalf of WED

The board received a letter from Seth Handy on behalf of Wind Energy Development (WED) about a DG program project in Coventry. WED petitioned the board to terminate their agreement with National Grid for the project.

Mr. Payne requested Mr. Majcher to review the letter and the DG Board's legal responsibility to WED and Mr. Handy. It was determined that the contract dispute was actually between National Grid and WED and did not directly involve the board at this stage. Mr. Majcher sent a letter to Mr. Handy on behalf of the DG Board.

Since the project was approved by the DG Board but then hit technical difficulties after contracting with National Grid, Ms. Morini raised the question of whether there were earlier points where the board could and should intervene in future projects to ensure approved projects can move to completion. Ms. Pennock agreed – since this particular project's issue was related to interconnection, it's important for the board to take a look at the process. Mr. Payne also noted that the board can recommend contract language to National Grid.

B) Overview of the Renewable Energy Growth Law

Mr. Kearns gave an overview of the Renewable Energy Growth (REG) law. The board and members of the public received a copy of the presentation. The board had a number of questions, which were answered by Mr. Kearns and Mr. Springsteel and summarized below:

Mr. Payne questioned whether the new program nullifies the contracts program.

Mr. Kearns responded that no, the contracts are all still 'on the books'. This is a new law that will begin a new program in 2015.

Mr. Payne noted that since the board will be making annual recommendations to the PUC, which will include the duration of the tariff, the board needs to ensure that they are keeping a close eye on new technologies. He will be asking board members to volunteer for this task. He also noted that this program is substantially different than the pilot and is a 'distinct evolution', not just a continuation.

Mr. Ferguson had a question about whether the projects are competitively selected, and how that process interfaces with the ceiling prices.

Mr. Ferguson and Mr. Springsteel had a back and forth conversation to understand the process. The process will generally be: the board presents a tariff to the PUC which outlines the rules of the program and sets the rates. The process for selecting projects will be competitive, with projected prices not to exceed the ceiling prices approved by the PUC. Ms. Pennock also clarified that for residential projects, the ceiling price will just serve as the fixed price per kilowatt hour.

Mr. Payne noted that there is a need for an extended meeting that explains all of the nuts and bolts of the program for the public, with time for questions. He also reminded everyone that after the board meeting ended, there will be a workshop for anyone interested.

Mr. Springsteel noted that in relation to Slide 8 (in the packet), that the application process will be decided in consultation with the board. There are no built-in points that trigger a switch to a lottery-based system.

Ms. Pennock had a question about the zonal incentives. Commissioner Gold requested that this be added to the next meeting's agenda because OER can update on the study performed by Perregrine Energy Group that is guiding a pilot on this work. Mr. Kearns also noted that there's also an option of partnering this program with energy efficiency incentives offered through National Grid. We will need more time to develop how that process will work.

Mr. Kearns discussed a stakeholder survey that he drafted with Ms. Pennock. The survey was already disseminated and will be forwarded to the board after the meeting. Comments are due August 3rd.

Ms. Morini questioned whether the law requires the five ceiling prices for solar. She expressed that board should discuss whether this chops up the market too much. Mr. Kearns responded that traditionally there were three or four ceiling prices, but that they added a fifth because of the addition of a residential program.

Mr. Payne reminded the board that by September they need to be more conversant on project economics and technology to help inform decisionmaking around tariff length. While it's good to have the opinion of stakeholders (referring to the above-mentioned survey), we will also need technical evidence at our disposal.

Ms. West left the meeting at 4:52pm.

Mr. Springsteel, who works in the Legal and Regulatory Group at National Grid, provided a few comments on how National Grid is preparing for the PUC filings for the REG implementation:

A small team at National Grid has begun actively reviewing the act to understand the tariff requirements. They are drafting out the rules, the application, the tariff language, etc. and feel that they are making solid progress. There will be lots of tricky issues in implementing the REG law and its interaction with net metering. Specifically, National Grid is thinking through how to make it work given the systems (billing, IT, etc) that are already in place and how to integrate it well with the interconnection process.

National Grid is looking forward to public comments today and in the future.

Mr. Ferguson asked whether National Grid prefers tariffs to contracts. Mr. Springsteel responded that while tariffs are their preference, the program design was ultimately decided by the legislators and governor. Tariffs keep the entire transaction within the purview of the PUC.

Ms. Dormody asked what other challenges they might be working through that weren't mentioned. Mr. Springsteel reiterated that the ones mentioned above were the trickiest challenges.

Mr. Payne recognized that we should have a formal process for submitting questions to National Grid as they develop tariff language. Going forward, board members should submit questions to Mr. Kearns and Mr. Payne, and they will review the questions and send a combined list to National Grid regularly. Board members will have the opportunity to respond to drafts provided by National Grid, but should feel encouraged to submit comments and questions ahead of that as well.

Public Comment

Mr. Payne reminded the public that a workshop is scheduled for after the meeting. This public comment period is just for things that the board needs to hear or things the board might need to consider acting on. Other questions can be asked after the board formally adjourns.

Ittay Arad from Green Skies Renewable Energy asked for a copy of Mr. Kearns's presentation to learn more about ceiling prices. A copy was made available.

Paul Raducha from Newport Renewables had a comment on the tariff length. In determining the length of the tariffs, Mr. Raducha discussed the need to balance price and customer preference. For example, if a tariff is for 15 years and inverters need to be updated every 12, an installer might not have an incentive to update an inverter on a project that is about to reach the end of its tariff.

Mr. Raducha also had a comment about net metering. Generally, if a system generates more than the structure uses, the producer can either receive a credit or a check from National Grid. He cautioned that if a check is issued, it creates taxable income. Bill credits do not create this liability. This could also affect the ceiling prices that are developed. This needs to be considered as the residential portion of this program is fleshed out. Mr. Payne agreed that the board needs to consider tax implications of its policies and recommendations.

Mr. Sokoll asked whether people will need to pre-declare what percent of the project will participate in DG v. net metering, or will it be allowed to float by month. Mr. Springsteel responded that this is a question that National Grid is grappling with currently. There weren't any changes to net metering made in this legislation, so all of net metering's restrictions will still apply.

Mr. Sokoll also asked whether anyone has considered virtual net metering. He questioned why it was prohibited in the state. Mr. Kearns responded that virtual net metering was recently updated to include state and municipally-owned properties, as well as waste water treatment facilities. Only the General Assembly can update the rules around net metering and virtual net metering.

Russ Maymon from RGS asked whether RECs are forfeited with the tariff and whether a project could take advantage of Renewable Energy Fund support in addition to the REG law. Mr. Kearns responded that you cannot take advantage of both programs (but you can take advantage of federal incentives) and that RECs are forfeited with the tariff. Ms. Morini reminded everyone that this program gives consumers a choice. Using the Renewable Energy Fund and net metering will work for some projects; the REG program will work for others.

Doug Sabetti of Newport Solar asked whether there is continuous funding for the Renewable Energy Fund, even without Alternative Compliance Payments. Ms. Morini answered that there is approximately \$2.2 million per year of ratepayer funds in the REF. They also currently have extra in the bank from prior years' ACP payments.

Veto from NE Solar and Wind Power asked whether the REF is operational through 2018. Ms. Morini responded that the charge that supplies the REF is operational through 2018. The current REF rules are operational through 2016; the rules could be updated after that.

Scott Milnes asked whether there is or could be a screening process to see whether substations are full or nearly full. Is there a way to know capacity before submitting an application? Not having this information could kill a project. Mr. Payne asked whether this was a question for the board to broach with Grid, or if this question should be left for the workshop after the meeting adjourned.

Paul Raducha pointed out that there is a process in place to get a sense of what substations may be full or nearly full. However, he feels that that data from Grid is sometimes outdated with projects that are no longer being pursued. Can we clean up this process?

Given that the public was interested in moving to the workshop phase, the Chair entertained a motion to adjourn the formal meeting. Ms. Dormody submitted a motion to adjourn and was seconded by Mr. Ferguson. The meeting was formally adjourned at 5:25pm.