Comments of National Grid on the RI RE Growth "Calculation of Initial 2015 Ceiling Price Recommendations" of Sustainable Energy Advantage and Meister Consulting Group

General Clarifications

The RE Growth program will require interconnection on the Utility side of the meter, or "metered in parallel" per the statute.

Net metering is offered in RE Growth in a manner specific to the program, and not under the control of the Net Metering Provision of the Company, though sizing limitations will still be governed by that tariff.

Simplify Ceiling Prices and Classes

We encourage the Board to make only three prices available for small scale solar projects, all of the same term (removing the term length option), and all including the impact of the ITC: Resident Owned, 1-10 kW; Commercial or Third-Party Owned, 1-10 kW; and Small Solar, >10-25 kW

The Company appreciates that prices for AD and Hydro classes and subclasses are the same; we suggest not having separate subclasses for AD and hydro, but just one for each. The Company would encourage the Board to do the same for wind, and recommend just one Ceiling Price for wind from 1.5 to 5 MW. This will simplify the consideration of projects during the enrollment process and allow for competition to drive prices.

ITC Pricing Risks

The calculation of the ceiling price/Standard PBI for Small and medium solar projects should include the ITC as these project have short development timelines and are easy to interconnect.

Other ceiling prices should not include the ITC or PTC because their timelines for development will allow and likely require that they become operational after the expiration/reduction of that tax credit. If the tax credits are extended, the Board could file a supplemental change to adjust the prices for the next solicitation. Additionally, if a project developer believed he or she could secure the ITC or PTC, their competitive bid price would reflect this. This approach will allow for flexibility in adapting to future tax policy coupled with competition to drive prices.

More Leverage Suggested for some Pricing Models

For residential systems, there is a significant difference between resident owned and third-party owned systems. This seems due partly to the lack of leverage in the modeling of resident owned systems, presently 0%. National Grid suggests increasing residential leverage to 50% or higher, due to the prevalence of home equity and personal loan options for residential customers, at a cost reflective of the current low rates available. We would also suggest more leverage be considered in determining the ceiling prices for hydro, AD, larger solar classes, similar to wind (70%).

Lower Returns on Equity

The 8% after tax return assumed as a rate of return seems high for residential customers. This would be equivalent to approximately 13.5% rate of return on a pretax investment that has little risk, provides an energy cost hedge, and will last for 25-30 years. A lower equity return should also be used for the other system owners as well; these income streams are long-term, highly certain, and, at least for solar, are generated with little variable cost or operations risk. The 11% after tax return is equivalent to a 20% pretax rate of return at the stated tax rates. This seems excessive for a long term owner with 40-50% equity invested in one of these projects. National Grid would encourage an equity return be used more in line with the risk presented by the investment's cash flow, and the likelihood of losing that investment due to bankruptcy over the life of the investment.

Additional Interconnection Cost Data

A file is attached – one additional worksheet to that already submitted showing all interconnection impact studies for renewable distributed generation (ISRDGs) and costs associated with expedited applications in RI conducted over 2013 and 2014. These are in addition to the costs for DG systems that actually interconnected in 2011-2014 already provided.