DISTRIBUTED GENERATION BOARD MEETING

November 10, 2014

4-5:30pm

Commerce RI

Board Members Present: Ken Payne (Chair), Marion Gold, Charity Pennock, Christine Malecki West, Hannah Morini, Sam Bradner, Sheila Dormody, Bill Ferguson

Others Present: Chris Kearns, Sue AnderBois, Shauna Beland, Bob Grace, Michelle Carpenter, Paul Raducca, Seth Handy, Mark Nelson, Mark DePasquale, Paul Raducca, Raquel Webster, Omar Muneeruddin, Peter Hughes, Eric Martin, James Calandra, Stuart Flanagan, Ben Swanson

Call to Order: The meeting was called to order at 4:00pm by Chairman Payne. Board and members of the public introduced themselves to the room.

REG Program Updates: Chris Kearns (OER) presented a Powerpoint with updates on the implementation plan for the REG program. Copies of the Powerpoint will be circulated.

Public Workshop on Ceiling Prices:

Chairman Payne reminded the room that this was a public workshop intended to probe and ask questions raised by the initial draft of ceiling prices released by SEA.

Bob Grace (SEA) framed the conversation by saying that the issues he and his team have heard "bubble up" include interconnection, taxes, wind capacity factors, required returns, among others.

Q1: *Bill Ferguson*: The solar program ceiling price is higher in this proposal than in the last enrollment price. His concern is that even though contract length increased from 15 to 20 years, prices haven't fallen.

Bob Grace's response: There are two big factors at play: 1) The national trend of precipitous decreases in installed costs for solar is starting to stall a little and 2) Past procurement rounds of the DG Contracts program have been undersubscribed, which could potentially be the market signaling that the prices were set too low in previous rounds.

Chris Kearns noted that this is also the first year for the residential program – there is no existing trend line for those systems yet. Also, the medium-scale solar allocations are more segmented than in prior years.

Hannah Morini also noted that if we use 2015 as an observation year of the new program, we can always change the pricing.

Ken Payne: To structure the conversation, the board will first discuss pricing concerns that are not site specific.

Charity Pennock Q: How are property taxes generated in the ceiling prices? (Ken tabled this question because it was somewhat site specific).

Corinne from National Grid: For the small-scale solar program, there are 3 classes with different term lengths and structures. How can we simplify this, as it is potentially confusing for customers and more difficult to administer? Who will enforce which price class a customer is in – does the customer get free choice, will National Grid need to regulate this?

Bill Ferguson: What is involved in management costs (slide 17 of the presentation)?

Bob Grace's answer: People who are running that particular program. Overhead costs.

Charity Pennock Question: For the small-scale solar residential program, are we targeting after-tax equity for the homeowners? Is that an aim of the ceiling prices?

Bob's response: The benefit to the customer is the assumed return for the residential system.

Christine Maliki-West question: Most development in Rhode Island is urban. Are there different incentives for homeowner v. commercial systems – and if so, is that leaving out the large quantities of multifamily buildings we have in the urban core? Are programs directed only at homeowners, or also at landlords?

Further, if landlords can participate, if they own single family homes or triple-decker buildings that they do not live in: can they own the system even if it's connected to a different rate-payer's meter?

Ken concurred that there is currently more multifamily development (both large multifamily and triple-deckers) than there was before the Recession.

Bob Grace clarified that program participation is by size of system, not by type of owner. However, solar on rental properties is trickier because there is a split incentive between landlords and tenants for long-lived assets.

The board continued to discuss the topic of multifamily and non-resident ownership. There was a question of if a landlord owns multiple residential properties and installs solar on them – would this count as one large commercial-scale system since it was a single owner, or multiple residential-scale programs. Does the tariff have to be in the name of the person connected to the meter if the building is owned by a third party?

National Grid pointed out that this question is different from the PPA/Lease pricing – where a third-party company owns the system.

Ken Payne recommended convening a working group to focus on this issue.

National Grid introduced the idea of simplifying the program and made three recommendations:

1) Have 1 tariff for small-scale (just 15 OR 20 years, not both).
2) Different tax credit treatments: Can we assume that small-scale residential projects will get the ITC before expiration because project turnaround is quick?
3) Can it be the same tariff price for owned v. leased systems – though this might be a larger request and require more discussion/thought.

Ken kicked off the discussion of these proposals saying that the board can reconsider its prior decision to offer 15 AND 20 year tariffs.

Sharon inquired as to why there were two. Chris Kearns reminded the board that a straw man allocation plan was circulated in July. The board decided to give options for 15 and 20 year tariffs in the first year for the residential program since it was the first year of that class. Charity reminded the board that they circulated a survey to stakeholders in July when the straw man allocation was released, and it came back split in half between 15 and 20 years.

Sheila inquired as to whether the added complication of multiple ceiling prices is borne only by homeowners. National Grid responded that they assumed it was an added complication, but that they aren't experts in what drive homeowner decision making.

The solar installers present were asked to weigh in. Ben from RGS Energy pointed out that typical solar lease terms are usually 20 years. Eric from Newport Solar, however, noted that with rising electricity rates, a 15-year contract may make more sense so the PBI stayed competitive with rates.

After more discussion of these issues, the board came to a consensus (not a formal vote) that while there's a desire to keep the program simple, since this is the first year with a residential-scale program, maintaining both a 15 and 20 year ceiling price will help them better understand the market. Further, SEA will not consider a residential price for 2015 without the ITC since small-scale project come on line fast enough to be online before the ITC's expiration in 2016. However, for non-residential projects, they will only include the price without the ITC since those projects take longer to come on line (which also gives incentive to developers to get their projects on line faster so they can take advantage of the ITC even though it's not included in the ceiling price).

The Board had questions about the Production Tax Credit, and Bob Grace informed everyone that the PTC has already expired (for products not already under construction). It is possible that it could be reinstated, but Ken reminded everyone that in developing 2015 prices, they could not include speculation around federal policymaking. If the ceiling prices need to be amended during 2015, there is a process to amend them.

After some consideration for extending the meeting, the meeting was adjourned at 5:33pm. The conversation was scheduled to continue for other factors affecting the ceiling prices on November 17, 2015.