nationalgrid

Thomas R. Teehan
Senior Counsel

June 21, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Division of Public Utilities
89 Jefferson Boulevard
Warwick, RI 02889

RE: Division Docket No. D-10-36 - Town of Johnston Project
Power Purchase Agreement between National Grid and Rhode Island LFG Genco, LLC

Dear Ms. Massaro:

Enclosed are the responses of National Grid[1] to the Division's First Set of Data Requests in the above-referenced matter. This filing is accompanied by a Motion for Protective Treatment in accordance with Rule 3(d) of the Division's Rules of Practice and Procedure and R.I.G.L. §38-2-2(4)(i)(B). The Company seeks protection from public disclosure of Attachments to its response to Division Data Request 1-1 as these attachments contain proprietary and confidential information. Consequently and pursuant to Division rules, the Company has provided the Division with one (1) copy of the confidential materials for its review, and has otherwise redacted the confidential portions attachments from its response.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,

Thomas R. Teehan

Enclosure

cc: Docket D-10-36 Service List
Thomas Ahern, Administrator
Steve Scialabba, Division
Jon Hagopian, Esq.

[1] The Narragansett Electric Company d/b/a National Grid ("National Grid" or "the Company").

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted, hand delivered and/or mailed to the individuals listed below.

Joanne M. Scanlon
National Grid

June 21, 2010
Date

Narragansett Electric d/b/a National Grid (NGrid) – Town of Johnston Project – Power Purchase Agreement between NGrid and Rhode Island LFG Genco, LLC
Docket No. D-10-36 **Updated 6/17/10**

Name/Address	E-mail Distribution	Phone/FAX
Thomas R. Teehan, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Thomas.teehan@us.ngrid.com Joanne.scanlon@us.ngrid.com	401-784-7667 401-784-4321
Richard A. Licht, Esq. Adler Pollock & Sheehan One Citizens Plaza, 8th Floor Providence, RI 02903-1345	RLicht@apslaw.com	401-427-6159
Stephen D. Galowitz, Managing Director Rhode Island LFG Genco LLC 14 Philips Pkwy Montvale, NJ 07645-1811	sgalowitz@ridgewoodpower.com	201-447-9000
Keith Stokes, Executive Director RI Economic Development Corp. 315 Iron Horse Way, Suite 101 Providence, RI 02908	Kstokes@riedc.com	
Rosemary Booth Gallogly, Director Department of Administration One Capitol Hill Providence, RI 02908	ROSEB@budget.state.ri.us COConnor@doa.ri.gov	
Marcy Coleman, Legal Counsel Dept. of Administration/OER	Mcoleman@admin.ri.gov	
Ken Payne, Administrator Office of Energy Resources One Capitol Hill Providence, RI 02908	Kpayne@energy.ri.gov	
Jon Hagopian, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	jhagopian@riag.ri.gov lwold@riag.ri.gov Mtobin@riag.ri.gov Dmacrae@riag.ri.gov	401-222-2424

File original & four (4) copies w/: Thomas Ahern, Administrator c/o Luly Massaro, Clerk Division of Public Utilities & Carriers 89 Jefferson Boulevard Warwick, RI 02888	Lmassaro@puc.state.ri.us Jspirito@ripuc.state.ri.us Sscialabba@ripuc.state.ri.us Tkogut@ripuc.state.ri.us Tahern@ripuc.state.ri.us	401-780-2107 401-941-1691
Michael O'Connell, Executive Director RI Resource Recovery Corp.	moconnell@rirrc.org	
Doug McVay, Acting Chief Office of Air Resources, DEM	doug.mcvay@dem.ri.gov	

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

Town of Johnston Project
Power Purchase Agreement between National Grid
and Rhode Island LFG Genco, LLC **Docket No. D-10-36**

NATIONAL GRID'S REQUEST FOR PROTECTIVE TREATMENT OF CONFIDENTIAL INFORMATION

National Grid[1] hereby requests that the Rhode Island Division of Public Utilities and Carriers ("Division") provide confidential treatment and grant protection from public disclosure of certain confidential, competitively sensitive, and proprietary information submitted in this proceeding, as permitted by Division Rule 3 (d) and R.I.G.L. § 38-2-2(4)(i)(B). National Grid also hereby requests that, pending entry of that finding, the Division preliminarily grant National Grid's request for confidential treatment pursuant to Division Rule 3 (d)(2).

I. BACKGROUND

On June 7, 2010, National Grid filed with the Division a pursuant to the provisions of R.I.G.L. §39-26.1-9, a certified copy of a Power Purchase Agreement entered into between National Grid and Rhode Island LFG Genco, LLC dated May 21, 2010.

On June 21, 2010, the Company submitted responses to the Division's data requests in this proceeding. As an attachment (Attachment 1-1) to its Response to Division Data Request 1-1, the Company is submitting a spreadsheet comparing the

Rhode Island Landfill Gas (Ridgewood) project to a confidential report on long-term price projections for capacity, energy and renewable energy certificates prepared by Energy Security Analysis, Inc. ("ESAI"). ESAI prepared this report acting as consultant to National Grid and at National Grid's request. Under National Grid's arrangement with ESAI, the energy, capacity and REC forecasts are considered proprietary. Therefore, National Grid requests that the Division give the comparison spreadsheet contained in Attachment 1-1 confidential treatment.

II. LEGAL STANDARD

The Division's Rule 3(d) provides that access to public records shall be granted in accordance with the Access to Public Records Act ("APRA"), R.I.G.L. §38-2-1, *et seq.* Under APRA, all documents and materials submitted in connection with the transaction of official business by an agency is deemed to be a "public record," unless the information contained in such documents and materials falls within one of the exceptions specifically identified in R.I.G.L. §38-2-2(4). Therefore, to the extent that information provided to the Division falls within one of the designated exceptions to the public records law, the Division has the authority under the terms of APRA to deem such information to be confidential and to protect that information from public disclosure.

In that regard, R.I.G.L. §38-2-2(4)(i)(B) provides that the following types of records shall not be deemed public:

> Trade secrets and commercial or financial information obtained from a person, firm, or corporation which is of a privileged or confidential nature.

[1] The Narragansett Electric Company d/b/a National Grid ("National Grid" or "the Company").

The Rhode Island Supreme Court has held that this confidential information exemption applies where disclosure of information would be likely either (1) to impair the Government's ability to obtain necessary information in the future; or (2) to cause substantial harm to the competitive position of the person from whom the information was obtained. Providence Journal Company v. Convention Center Authority, 774 A.2d 40 (R.I.2001).

The first prong of the test is satisfied when information is voluntarily provided to the governmental agency and that information is of a kind that would customarily not be released to the public by the person from whom it was obtained. Providence Journal, 774 A.2d at 47.

In addition, the Court has held that the agencies making determinations as to the disclosure of information under APRA may apply the balancing test established in Providence Journal v. Kane, 577 A.2d 661 (R.I.1990). Under that balancing test, the Division may protect information from public disclosure if the benefit of such protection outweighs the public interest inherent in disclosure of information pending before regulatory agencies.

II. BASIS FOR CONFIDENTIALITY

The ESAI report results contained in Attachment 1-1 were developed by ESAI through its proprietary methods of analysis and was provided to National Grid on a confidential basis. The ESAI report contains information that is not publicly available. National Grid is providing this information to the Division on a voluntary basis to assist the Division with its decision-making in this proceeding. Disclosure of the report could adversely affect ESAI's competitive position and would tend to make it less likely that such information would be provided voluntarily in the future. Moreover, such disclosure would impede National Grid's future ability to obtain this type of proprietary information from third-party consultants or would increase the cost at which that information could be obtained.

III. CONCLUSION

Accordingly, the Company requests that the Division grant protective treatment to Attachment 1-1 to the Company's response to Division Data Request 1-1.

WHEREFORE, the Company respectfully requests that the Division grant its Motion for Protective Treatment as stated herein.

Respectfully submitted,

NATIONAL GRID

By its attorney,

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Thomas R. Teehan (RI Bar #4698)
National Grid
280 Melrose Street
Providence, RI 02907
(401) 784-7667

Dated: June 21, 2010

Division Data Request 1-1

Request:

Please provide the basis for Mr. Milhous' certification included in the June 7 PPA filing that the PPA is "a commercially reasonable long-term contract for new developed renewable energy resource fueled by landfill gas" as the term commercially reasonable is defined in RIGL 39-26.1-2(1).

Please provide any and all studies, analyses, and relevant data used and relied on by Mr. Milhous in reaching his conclusion.

Response:

I have compared the pricing schedule in the PPA to the September 2009 ESAI forecast for capacity, energy and RECs used to evaluate the Deepwater Wind New Shoreham project in RIPUC Docket No. 4111. That forecast, which is considered confidential, was provided to the RIPUC and to the Division with a motion for confidential treatment in the December 9, 2009 filing, which motion was granted by the Commission. A spreadsheet containing a comparison of the Deepwater pricing to that forecast was also provided in response to Division Data Request 1-16 in that docket. I have attached a similar spreadsheet for the Rhode Island Landfill Gas (Ridgewood) project, which is again considered confidential because it contains the ESAI forecast.

Over the 15 year Services Term (i.e., the period during which the Company is obligated to purchase Energy, Capacity and RECs), which was assumed to begin in mid-year 2012, the PPA pricing was approximately $9.4 million under market value on an NPV basis, using a 7% discount rate. I also made a comparison to a January 2010 forecast for the ISO-NE Massachusetts zones produced by ESAI for National Grid (which is also confidential). Using the forecast for the SEMA zone and an updated REC forecast, the PPA pricing was approximately $10.5 million under market value on an NPV basis. With recent transmission upgrades, little difference is expected between the SEMA and RI zones. Based on these comparisons, I believe that the PPA pricing is essentially at projected market prices for renewable energy over the contract term.

Division Data Request 1-1 (cont.)

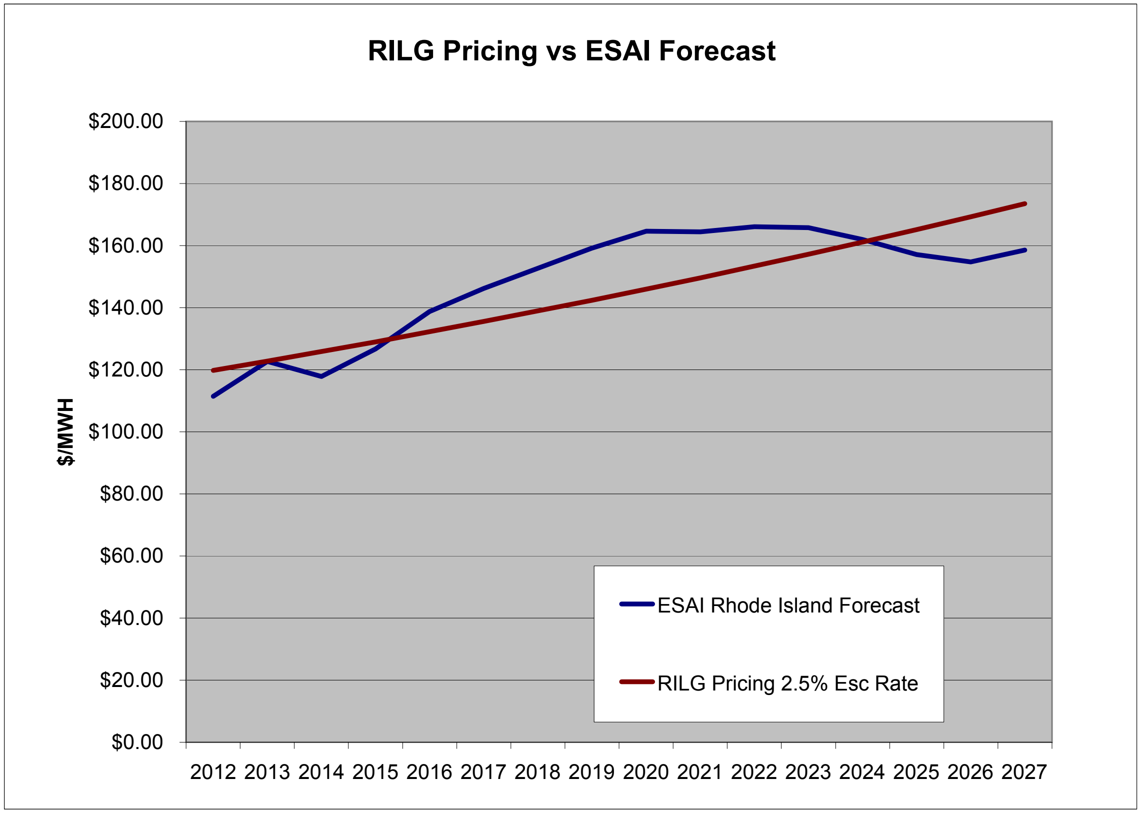
My belief that the Ridgewood pricing is commercially reasonable is also based on my personal knowledge of other confidential proposals from other renewable research projects that I have received in my capacity as a service company employee serving multiple National Grid operating companies in the northeastern U.S. The proposals are confidential and not in the possession of The Narragansett Electric Company. Thus, they cannot be shared; however, I canstate without breaching any confidentiality that the pricing in the Ridgewood agreement is at the lower end of the range of pricing that I have seen from proposed renewable resource projects of varying technologies.

Prepared by or under the supervision of: Madison N. Milhous, Jr.

SUMMARY ANALYSIS OF RIDGEWOOD RHODE ISLAND LFG Genco, LLC

Project	**Rhode Island LFG Genco, LLC (RILG)**	
Size		32.1
Annual Production		239002
Capacity Factor		85%
Price Terms	$	119.80
Term		15 Yrs

	Above Market Comparision RILG Pricing (2.5%)	
	ESAI 7x24 Pricing	
2012	$	414,733
2013	$	26,601
2014	$	1,918,105
2015	$	561,656
2016	$	(1,560,550)
2017	$	(2,537,427)
2018	$	(3,278,360)
2019	$	(4,016,715)
2020	$	(4,472,278)
2021	$	(3,539,485)
2022	$	(3,037,433)
2023	$	(2,062,764)
2024	$	(208,294)
2025	$	1,931,247
2026	$	3,481,913
2027	$	73,594
TOTAL	$	(16,305,456)
NPV @ 7%	$	(9,419,143)



REDACTED

ESAI Rhode Island Forecast						RILG Pricing 2.5% Esc Rate		
	Energy 7x24	*RI REC Forecast*	*Energy & RECs*	*Capacity $/kW-mo*	*Energy, Capacity & RECs*	*Delivered Energy MWh*	*Bundled Energy Rate $/MWh*	*Above Market Cost vs ESAI*
2009						239,002		
2010								
2011								
2012	[redacted]					119,501	$ 119.80	$ 414,733
2013	[redacted]					239,002	$ 122.80	$ 26,601
2014	[redacted]					239,002	$ 125.86	$ 1,918,105
2015	[redacted]					239,002	$ 129.01	$ 561,656
2016	[redacted]					239,002	$ 132.24	$ (1,560,550)
2017	[redacted]					239,002	$ 135.54	$ (2,537,427)
2018	[redacted]					239,002	$ 138.93	$ (3,278,360)
2019	[redacted]					239,002	$ 142.40	$ (4,016,715)
2020	[redacted]					239,002	$ 145.96	$ (4,472,278)
2021	[redacted]					239,002	$ 149.61	$ (3,539,485)
2022	[redacted]					239,002	$ 153.35	$ (3,037,433)
2023	[redacted]					239,002	$ 157.19	$ (2,062,764)
2024	[redacted]					239,002	$ 161.12	$ (208,294)
2025	[redacted]					239,002	$ 165.15	$ 1,931,247
2026	[redacted]					239,002	$ 169.27	$ 3,481,913
2027	[redacted]					119,501	$ 173.51	$ 73,594
2028								
2029								
2030								
2031								
2032								
							TOTAL	$ (16,305,456)
							NPV 7%	$ (9,419,143)

Escalation Rate	2.5%
Size of Ridgewood Landfill Gas Project	32.098
Capacity Factor for FCM	85%

Division Data Request 1-2

Request:

Please review the spreadsheet attached to this data request (Labeled LFG PPA Rates). Does this accurately portray the PPA rates, including the annual escalator, embodied in the filed PPA? This spreadsheet indicates rates starting at $0.1198/kwh in year 1, and escalating to $.1693/kwh in year 15. Is this accurate? Does this spreadsheet accurately portray the annual expected payments under the PPA from National Grid to LFG (totaling to $513,434,807)? Does it accurately portray the total expected Grid incentive of $14,120,772?

Response:

The spreadsheet accurately portrays the PPA rates and the annual escalator set forth in the filed PPA. The incentive to National Grid would be calculated based on the total payments to Rhode Island LFG Genco, LLC ("RILG") and as such the incentive would be calculated on the net payment, after deduction of the capacity revenue received by RILG in the ISO-NE Forward Capacity Market ("FCM"). Forecasted capacity prices are included in the confidential spreadsheet attached to the Company's response to Division Data Request 1-1. (Actual capacity revenue would depend on both the FCM clearing price and the amount of the Facility's Capacity Supply Obligation in each particular Capacity Commitment Period.) As such, the incentive cost in the spreadsheet is somewhat overstated. It should also be noted that the actual cost to customers will be net of the market value of the energy and RECs, as well as the capacity.

Prepared by or under the supervision of: Madison N. Milhous, Jr.

Division Data Request 1-3

Request:

What is the planned facility's nameplate capacity, availability factor, and projected annual energy output that National Grid is expected to purchase from LFG? What is NGRID's basis for its understanding of the facility's nameplate capacity rating?

Response:

The projected annual energy output is 239,002 MWh per year, which is equivalent to a net annual capacity of 32.098 MW and an availability of 85%. This projection accounts for both variation in ambient temperature and the expected availability.

The above projection is 27.28 MW of contract capacity in accordance with R.I.G.L. § 39-26.1-2(7).

This information was also provided in the Company's response to Commission Data Request 1-1 in Docket No. 4150.

The planned facility is a combined cycle generating plant and consists of four Solar Taurus 60 combustion turbines, each with a heat recovery steam generator and a single steam turbine. The combustion turbines will be equipped with inlet cooling, which will improve the performance by reducing the dependence of the output on ambient temperature. There will, nevertheless, be some dependence on ambient conditions. To account for this variation, the engineer for the project has calculated the expected net output at average ambient conditions, which is the rating given above. This rating is such that when multiplied by 8,760 hours and the expected availability factor (as also determined by the project engineer), the result is the expected annual output of the facility, assuming no limitations on the supply of landfill gas fuel.

Note that this rating does not correspond to the combined nameplate ratings of the combustion turbines and the steam turbine, but to the calculated net rating of the combined cycle facility under expected ambient conditions. Also note that this net rating reflects the fact that the electric load of the landfill gas clean-up and compression facility, which is in a different location than the power plant, is served by The Narragansett Electric Company distribution system.

Prepared by or under the supervision of: Madison N. Milhous, Jr.

Division Data Request 1-4(a)

Request:

On November 18, 2009, National Grid reported to the Public Utilities Commission relative to its negotiations with Deepwater Wind that it had not entered into a purchase power agreement due a number of outstanding issues and concerns on the part of National Grid. One such concern was described in the 11/18/09 letter as follows:

"National Grid understands, however, that the Deepwater project could achieve some cost-savings benefits if the project obtains a loan guarantee from the U.S. Department of Energy ("DOE"). As part of the American Recovery and Reinvestment Act (the so-called "Stimulus Act"), the DOE loan guaranty program was revised to provide loan guaranties for certain commercial and innovative renewable energy projects. It is National Grid's understanding that Deepwater has applied for a loan guaranty under this program. National Grid has not performed a formal analysis of the cost impact and, for that reason, is not able to quantify how much of a price reduction can be achieved. Nevertheless, there would be a project cost reduction in such event because any loan guarantee, if obtained, would likely facilitate Deepwater obtaining a significantly lower debt cost for the project. While this issue was identified last week, Deepwater had not made a proposal for a price reduction associated with this potential benefit as of the time of preparing this filing this afternoon."

The legislation authorizing National Grid to enter into a commercially reasonable contract with LFG includes a legislative finding that in fact, (unlike Deepwater's application for a loan guarantee), LFGs' financing plan actually is "supported by more than fifty million dollars ($50,000,000) of federal government grants, which are only available if construction of the facility is actually commenced before the end of calendar year 2010."

Did National Grid have the same concern relative to LFG's PPA; that the price should reflect the developer's lower project cost resulting from the financial support of the federal government, i.e. taxpayers, in financing the project? If not, why not? If so, how is that federal financial support reflected in the PPA pricing structure?

Response:

National Grid understands that the project has secured a $15 million grant from the Department of Energy ("DOE") and will be eligible for a grant in lieu of the Investment Tax Credit ("ITC") under Section 1603 of the American Recovery and Reinvestment Act if it meets the requirement that construction start before December 31, 2010. The Section 1603 grant is for

Division Data Request 1-4(a) (cont.)

30% of the eligible construction costs. The pricing in the PPA is not contingent on the Section 1603 grant or the ITC. National Grid has reviewed the project financial model "on screen," but does not have access to a copy of the model. National Grid can confirm that the DOE grant and the Section 1603 grant are included in the financial model, and that the total of these two funding sources is consistent with the representation in the authorizing legislation.

Prepared by or under the supervision of: Madison N. Milhous, Jr.

Division Data Request 1-4(b)

Request:

Another concern raised by National Grid in its November 18, 2009 letter to the PUC referenced in 4a above was that if the project was able to produce more energy that is assumed in the pricing proposal, then the developer should include a provision to reduce the price to reflect the better than anticipated capacity factor. Does the LFG PPA contain such a provision to lower the price if the project produces more energy than is assumed by the parties in the PPA? If not, why not. If so, please identify where in the PPA the provision exists.

Response:

The PPA does not contain such a provision because of the significant difference in the technology. The Deepwater Wind project has the prospect of becoming one of the first offshore wind projects completed. Moreover, the project had collected no on-site meteorological data, and was relying on existing "meso-scale" wind data for its projections of capacity factor. Thus there was no definitive data upon which to base the projected energy production of the project, and there was the prospect of upside in the capacity factor, which National Grid wanted to capture in the PPA pricing.

While most landfill gas projects rely on engine generator sets, the gas-fired combined cycle generation technology in this project is well-established, and Rhode Island LFG Genco has established experience in projection of the available gas supply at the Johnston landfill. In addition, Rhode Island LFG Genco has fairly reliable landfill gas projections on which to base its energy production estimates, removing another element of variability from the project.

Prepared by or under the supervision of: Madison N. Milhous, Jr.

Division Data Request 1-5

Request:

What is the basis for the 2.5% annual price escalator included in the PPA pricing provision?

Response:

The 2.5% escalation rate in the PPA pricing is the lowest rate that the Company could negotiate with Rhode Island LFG Genco, LLC ("RILG") and, based on the representations of RILG, generates the minimum projected annual revenue stream necessary for financing the project.

Prepared by or under the supervision of: Madison N. Milhous, Jr.

Division Data Request 1-6

Request:

Referring to Section 5.1(b) Escalation of Price, please explain why there is a possibility of 17 escalation dates during the 15-year term of the contract.

Response:

Under Section 2.2, the Agreement includes two different measurements of its term. The full "Term" of the Agreement, during which the Agreement is generally effective, began on May 21, 2010 and ends when all of the obligations of the parties under the Agreement are fully performed. The "Services Term" is the period during which National Grid is obligated to purchase Energy, Capacity and RECs from the RILG Facility. The Services Term begins on the Commercial Operation Date (i.e., the date on which the conditions in Section 3.3(b) of the Agreement are satisfied for at least 20 MW of the Facility's capacity) and continues for 15 years from that date. Under Section 5.1(b) of the Agreement, the Escalation Dates occur on each January 1, beginning with January 1, 2013 (subject to adjustment as described in Section 5.1(b)). Since the Commercial Operation Date could occur after that first Escalation Date under Section 3.1(a)(vi), an Escalation Date could occur before the start of the 15-year Services Term, making it possible that more than 15 Escalation Dates could occur. In any event, Section 5.1(b) of the Agreement states that no more than 15 Escalation Dates can occur after the Commercial Operation Date.

Prepared by or under the supervision of: Madison N. Milhous, Jr.

Division Data Request 1-7

Request:

This question seeks clarification regarding the financial settlement of capacity, as opposed to National Grid taking title to the capacity and receiving FCM revenues from ISO-NE. Section 4.1 states that NGrid shall buy the Products, which are defined as Capacity, Energy, and REC's. Section 4.8 states that Capacity is settled financially, and Seller retains title to it (implying the capacity is not delivered to NGrid). Section 5.1 states that the 11.98 cents per kWh rate in exhibit E applies to Products delivered to NGrid, which could be construed to exclude capacity.

Assuming our reading of the PPA is accurate, how does the PPA ensure that NGrid's customers will get the value of the capacity that it appears they are paying for? Should the PPA be clarified on this point?

Response:

Under the ISO New England ("ISO-NE") Market Rules, a Market Participant must be listed as the "Lead Market Participant" for a generating facility in order to bid that facility's Capacity into the Forward Capacity Market. Status as a Lead Market Participant entails a number of bidding, scheduling and administration responsibilities under the ISO-NE Market Rules that National Grid, as a retail distribution company, does not typically undertake. In addition, a Lead Market Participant can have financial assurance obligations in the ISO-NE markets that could create additional costs for National Grid and its customers.

Under Section 4.2(c) of the Agreement, Rhode Island LFG Genco, LLC ("RILG") is required to be designated as the Lead Market Participant for its Facility under the ISO-NE Market Rules. Under Section 4.8 of the Agreement, RILG is required to assume responsibility for qualifying its Facility in the Forward Capacity Market and, subject to the process set out in that section, bidding its Capacity in the Forward Capacity Market. Under Section 3 to Exhibit E to the Agreement, National Grid receives a reduction in the monthly payment obligation for Energy and RECs equal to the amount that RILG receives in the Forward Capacity Market for that month or that it would have received for that month if it had qualified its Facility in the

Division Data Request 1-7 (cont.)

Forward Capacity Market and received a Capacity Supply Obligation for the relevant Capacity Commitment Period. In this way, National Grid and its customers receive the value of the Facility's Capacity without assuming the additional costs and responsibilities of taking "title" to that Capacity as the Facility's Lead Market Participant.

Prepared by or under the supervision of: Madison N. Milhous, Jr.