

MEMORANDUM

TO: NECA Board of Directors
FROM: Eric J. Krathwohl and Paul N. Belval
Co-Chairs, Renewable Energy and Distributed Generation Committee
DATE: January 10, 2008
RE: Renewable Energy and Distributed Generation Committee Report

The following is the report of the Renewable Energy and Distributed Generation Committee for the January 10 Board meeting:

New ISO Renewable Resource Integration Position. ISO New England has announced that John Norden has been appointed to the new position of Manager of Renewable Resource Integration. Mr. Norden's role will be to identify the issues that must be addressed in integrating demand response, intermittent and other "alternative" resources into the ISO's day-to-day operations and settlements and to lead the development and implementation of solutions to those issues.

Massachusetts Legislation. This month the Massachusetts Senate began hearings on a wide-ranging energy bill that differs from the House bill released in November 2007. That bill passed with several amendment on January 9. Items of interest in the renewable and distributed generation field include:

- Proposes a 2.5 mills/kwh change to all entities (except municipal light departments) to fund efficiency programs and to be administrated by electric utilities.
- Allows municipal light departments to contribute to and access Renewable Trust Fund.
- Adds a Class II to RPS to allow for existing facilities.
- Creates a new alternative portfolio standard that includes coal gasification, flywheel storage, plasma gasification, combined heat and power, any facility that substitutes its fossil fuel source with an equal or greater amount of alternative paper-derived fuel source approved by DEP.
- Allows some utility ownership of renewable generation facilities with a sunset provision.
- Increases renewable generation in the Commonwealth through the encouragement of small, behind-the-meter wind and solar generation not greater than 2 MW; allow for energy credits for generation to be transferred to different electric accounts, and "neighborhood" metering where credits for renewable generation are shared among local households.
- Increases encouragement of distributed generation, combined heat and power.
- Establishes a 5-year pilot in which electric companies shall enter into long term contracts of 10-15 years with renewable generators.

- Allows for grants from alternative compliance payments for commonwealth based programs that develop renewable generation, flywheel storage, and energy generation educational programs.
- Ensures that MOU are entered between public entities and developers for the purpose of meeting renewable generation goals established by Executive Order #484.

Proposed Massachusetts Offshore Regulation. The Massachusetts Department of Environmental Protections has proposed changes to its waterways regulations that would designate underwater cables that deliver electricity from an offshore wind project as “water dependent.” If the proposed change becomes effective, offshore wind developers will no longer need to go through a lengthy variance process in order to construct a cable from an offshore wind facility. The public comment period on the regulation ends on January 17, and the new regulations could take effect in April.

Massachusetts Grant Programs. The Massachusetts Renewable Energy Trust has awarded design and construction funding to 27 new projects, with a potential to generate 18 MW, through the Trust’s Large Onsite Renewables Initiative. The projects include renovation of a hydroelectric project, the Town of Hanover’s new wind turbine, and a rooftop solar array at Martha’s Vineyard Hospital. The Trust is accepting additional applications for the initiative until February 21. In addition, the Renewable Energy Trust has announced a Small Hydropower Initiative to help finance small-scale hydroelectric projects. Finally, Massachusetts has launched a four-year, \$68 million rebate program to encourage the use of solar photovoltaic power, replacing the competitive grant program run by the Massachusetts Technology Collaborative.

Massachusetts DPU – Energy Efficiency Programs. On January 9, 2008 the DPU ruled that tax credits for renewable energy equipment should be included in obtaining the cost effectiveness of energy efficiency projects for purposes of determining whether utilities should support such projects. This is a general interpretation ruling but specifically required Bay State Gas to provide energy efficiency funding to a condominium project installing 200 solar thermal panels at a cost of \$289,000. The DPU’s ruling was over the objection of utilities who argued it would increase costs to customers and allow non cost-effective projects

New Hampshire Transmission Report. The New Hampshire Public Utilities Commission has issued its Background Report on New Hampshire Transmission Infrastructure. The report, issued December 1, 2007, is in response to a directive by the New Hampshire legislature to report on what needs to be done to improve the transmission infrastructure in New Hampshire so as to facilitate development of renewable resources in New Hampshire. Encouragement of the development of renewable resources was identified as desirable for advancing the state’s interest in economic development and achieving policy goals that 25% of New Hampshire’s energy will come from renewable sources by 2025. The report is designed to provide factual information to the legislature for its further consideration of the issue. The report is available on the New Hampshire Public Utilities Commission website, and the Commission is interested in feedback on the report.

Permits for Wind Projects in Maine, New York. The Maine Land Use Regulation Commission has approved final project plans for UPC Wind Partners’ 38-turbine Stetson Wind

project. The project, in Washington County, Maine, is expected to produce approximately 150 million kwh annually. Also, the New York Public Service Commission has granted certificates of public convenience and necessity to Noble Environmental Power to construct and operate wind projects in Eagle and Ellenberg, New York.

Clean Renewable Energy Bonds. In mid-December 2007, the IRS informed CREBs applicants of awards of “allocations” – essentially approvals to obtain interest free financing for qualifying renewable energy projects. Using the same methodology to choose awardees as used in the first round a year earlier, i.e. awarding allocations on the basis of ascending amount of CREBs requested, up until exhaustion of the authorized total of CREBs allocations (\$400,000,000). The ceiling amount has not been publicly announced, but it is somewhere between \$1,600,000 and \$3,200,000.

New Jersey Solar Incentives. The New Jersey Board of Public Utilities has issued a decision intended to transition the solar renewable energy market in that state from a rebates-driven market to one that is driven by market-based incentives. The new program is based on an eight-year schedule of “solar alternative compliance payments” for retail suppliers required to include solar energy in their generation portfolios. Rebates will continue to be available for smaller solar systems. The Board capped the cost of the program at two percent of total ratepayer electric bills.

New York Wind Decision. The New York Supreme Court for Onondaga County (which, notwithstanding the name, is the trial level court in New York) annulled and vacated the Town of Warren's and Town of Stark's adoption of the Final Environmental Impact Statement for the proposed Jordanville wind project. The Court found that the Town of Warren, as the lead agency, "failed to properly evaluate and analyze sufficient and acceptable alternatives to the project, improperly relied upon plans for future mitigation and improperly delegated its SEQRA duties to other agencies." The Court also found that the Town Boards of the two towns improperly held meetings in executive session in violation of the New York Open Meeting Law. The Court remanded the SEQRA review, which resulted in the FEIS, to the Town of Warren for compliance with the SEQRA process as discussed in the order.

Annual Renewable Energy Conference. The REDG Committee is continuing to plan its annual Renewable Energy Conference, which will be held on March 5, 2008 in Westborough. The planning committee has drafted the agenda and identified speakers and moderators for each panel. The brochures for the conference will be mailed out shortly.

New Committee Co-Chair. Bob Grace, President of Sustainable Energy Advantage, will replace Eric Krathwohl as co-chair of the Renewable Energy and Distributed Generation Committee, effective February 1. Eric has served a two-year term as co-chair, and the Committee thanks him for his excellent leadership during that time.

Erratum. The description of the Connecticut Department of Public Utility Control's decision in Magellan Envirogas Partners in the report circulated last month should have read as follows:

In the Magellan Envirogas Partners decision (Docket No. 03-12-10RE01), the DPUC supplemented its earlier decision by finding that the allowable location for the procurement of landfill methane gas for pipeline transportation used as a fuel in the generation of electricity which qualifies as a Class I renewable energy source was expanded to include both the region that was acceptable under the previous decision in this docket and the control areas that are adjacent to the ISO-NE control area. The generating units using landfill methane gas outside the ISO-NE control area must satisfy the NEPOOL Generation Information System rules for imports in order to qualify as Class I renewable energy sources.

Please contact either of the co-chairs, Eric Krathwohl (617-556-3857) or Paul Belval (860-275-0381), with any questions on this material.

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