

11 September 2003

Ms. Luly Massaro, Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

RE: Petition for Approval to Place Naval Station Newport on Narragansett Electric  
Rate Schedule G-62

Encl: Testimony of CDR Stoll

Dear Ms. Massaro:

The Secretary of the Navy, through authorized counsel, hereby submits the original and 9 copies of a petition for approval to place Naval Station Newport on Narragansett Electric Rate G-62 effective on the soonest possible date.

Communications in regard to this request are to be addressed to:

Sam DeFrawi  
Department of the Navy  
Naval Facilities Engineering Command  
Director, Navy Rate Intervention  
1314 Harwood Street, S.E.  
Washington NavyYard, D.C. 20374-5051

And

Audrey Van Dyke  
Department of the Navy  
Naval Facilities Engineering Command  
Litigation Headquarters  
1314 Harwood Street, SE Suite 412  
Washington Navy Yard, DC 20374-5051  
Telephone (202) 685-1931

The rationale for this petition to change the Naval Station Newport rate from the N-01 rate schedule to the large commercial rate schedule G-62 is twofold: (1) it serves the pressing interest of continuing the economic development that the Naval Station

Newport has contributed to the State and region, and (2) it serves the interests of fairness and equity, in that it allows the Naval Station Newport to receive equal treatment to that of Narragansett customers with comparable electric usage characteristics under rate schedule G-62.

**I. CHANGING THE NAVAL STATION NEWPORT TO RATE SCHEDULE G-62 SERVES THE ECONOMIC INTERESTS OF THE STATE OF RHODE ISLAND**

Naval Station Newport, as part of its efforts to operate within a constrained budget, needs to reduce the costs of electricity used in its operations as explained in the attached testimony at p 2. Accordingly, Naval Station Newport should be placed on the most economical rate for which it qualifies; that is, rate schedule G-62.

**II. MOVING THE NAVAL STATION NEWPORT TO RATE SCHEDULE G-62 SERVES THE INTERESTS OF FAIRNESS AND EQUALITY**

As detailed in the attached testimony at p 4, the rate G-62 is applicable to customers with a 12-month maximum demand of 3000 kW or larger. Naval Station Newport has a 12-month maximum demand of approximately 21000 kW, which clearly meets this requirement.

**Wherefore, Petitioner respectfully requests the Commission to issue an order directing Narragansett Electric to place Naval Station Newport accounts on rate schedule G-62.**

Respectfully submitted,

AUDREY VAN DYKE  
Counsel for the  
SECRETARY OF THE NAVY

Dated this 11<sup>th</sup> day of September 2003

TESTIMONY OF MICHAEL J. STOLL

**Q. Please state your full name and business address.**

A. I am Commander Michael J. Stoll and my business address is One Simonpietri Drive, Newport, Rhode Island.

**Q. On whose behalf are you appearing today?**

A. I am representing Naval Station Newport. Naval Station Newport is the host command for the Navy in Newport. It provides base-operating services, such as utilities, to tenants including Naval Undersea Warfare Center and the Naval War College. I am the Public Works Officer at the Station.

**Q. What is the purpose of your testimony?**

A. I am here to support Navy's petition to have Naval Station Newport be moved from the Narragansett rate schedule NO-1 to G-62. All other large industrial customers who have usage characteristics similar to Naval Station Newport pay the significantly lower G-62 rate. The Navy is the only business in the State that pays the much higher N-01 rate.

**Q. What is the effect of this rate change on the Navy budget?**

A. The effect of the proposed rate change would be to lower our rate from \$.960/kWh to \$.897/kWh, resulting in an annual saving of approximately \$1.4 million. This savings would allow the Navy to reduce its overhead and concentrate its constrained budget on mission-essential items such as education/training and naval research/development technology. Naval Station Newport is a leader in these areas.

**Q. What is the Naval Station Newport's electric utility cost as a proportion of its total utilities budget?**

A. Our annual utilities budget is \$19 million, \$10 million of which is for electricity. This is approximately 53%. We have been successful in reducing our electrical consumption since 1983. However, reducing consumption is only one part of the equation and eventually energy conservation initiatives will result in marginal gains. Therefore, receiving the same rate as other large electrical users is critical to further reduce our costs and make us more comparable to other Naval installations in the United States.

**Q. Where do you stand now within Narragansett Electric service area?**

A. The Navy is the only Narragansett Electric customer in the higher N-01 rate class. This was result of the merger between our former and current electrical commodity providers (Newport Electric and Narragansett Electric respectively). Prior to the merger we were the only Newport Electric industrial user of our size and were in a rate class by ourselves. However, subsequent to the merger we have been kept in our own rate class despite the presence of other similar-sized customers in Narragansett service territory. Our rate is based upon a precedent which is no longer applicable and places an undue and unfair financial burden upon Naval Station Newport forcing us to sacrifice other mission critical support. Furthermore, our electricity is delivered to the Naval Station via a 69kV transmission line that we distribute internally through the base ourselves. Therefore, we are analogous to being a wholesale customer versus a retail customer and should enjoy a comparable

rate which takes this into account. Other large industrial users in the G-62 rate class get a credit for operating and maintaining their own distribution systems; however, we do not.

**Q. What effect will moving to rate schedule G-62 rate have on you?**

A. Naval Station Newport would save approximately \$1.4 million annually which could be reinvested in mission-critical programs.

**Q. What leads you to believe that the Navy qualifies for the G-62 rate?**

A. The G-62 rate is applicable to “any customer who has a 12-month maximum Demand of 3,000 kW or greater.” Naval Station Newport’s monthly maximum demand has consistently exceeded 16,000 kW.

**Q. How much economic development impact does the Naval Station provide?**

A. The Newport Naval Complex employs over 7800 military and civilian personnel with combined annual salaries of \$520 million.<sup>1</sup> Over \$50 million were invested in construction and facility support contracts in 2002. Naval Undersea Warfare Center, a premiere R&D facility, works closely with many area universities and defense related companies.

**Q. How much of this is related to the electrical supply?**

A. Naval Station spends an average of \$535K annually on contracts to maintain the electrical system. The combined annual salaries of our electrical system workers are \$726K.

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<sup>1</sup> Source: 2002 Annual Report of the Navy in Rhode Island

**Q. Would you elaborate on your conservation efforts you mentioned earlier?**

A. Yes. Naval Station Newport pays more than \$200K annually into the “State of Rhode Island conservation fund”. We have invested several million dollars in electrical conservation projects in the past few years including a \$1.3 million project at Naval Undersea Warfare Center and a \$2.2 million project to install energy efficient lighting and motors at Naval Station in 2003. We received a Secretary of Navy energy conservation award for 2002 for our conservation efforts.

**Q. Do you have any further testimony?**

A. Yes. I believe it is in the best interest of the Navy, the State of Rhode Island, and Narragansett to move the Navy to rate schedule G-62. Moving the Navy to the G-62 rate as soon as possible is the most equitable approach. The continued application of the N-01 rate will have a continuing adverse impact on Naval Station Newport’s budget and severely restricts our ability to support of the Navy’s mission.

**Q. Does this conclude your testimony?**

A. Yes.