

1 Q. Please identify yourself.

2 A. My name is John Farley. I am the Executive Director of The Energy Council of
3 Rhode Island (TEC-RI), One Richmond Square, Suite 340D, Providence, RI
4 02906.

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6 Q. Please explain why TEC-RI signed the Settlement.

7 A. TEC-RI signed the Settlement because we concluded that it achieved our
8 major negotiating objectives in the near term while avoiding a costly, extended
9 intervention.

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11 Q. What specific benefits do you believe the Settlement provides?

12 A. The Settlement provides benefits to all classes of ratepayers. It is consistent
13 with what was promised in the previous settlement in Docket No. 2930. Also, it
14 improves the outcome for customers over what would have happened by
15 default in the absence of this current settlement, particularly in the short term.
16 Finally, it addresses the highest priority concerns voiced by TEC-RI members:
17 it delivers (a) distribution rate relief, (b) lower back-up rates for onsite
18 generators, (c) an expedited return of historic excess earnings, (d) fixed rates
19 for five years, and (e) a mechanism for sharing any future excess earnings.

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1 Q. Was TEC-RI assisted by a consultant?

2 A. Yes. In the months leading up to the initiation of Settlement talks, TEC-RI
3 brought in a consultant. He examined the record in the Narragansett Electric
4 Company (NECo) proof of savings Docket No. 2930 and determined that there
5 were substantial excess earnings and cost savings to be shared with
6 customers.

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8 That meant that there was the opportunity for TEC-RI to receive benefits from
9 the “account” of excess earnings due customers. Those benefits could come
10 either in the form of rate reductions or credits, or in the form of new services
11 that NECo would offer our members.

12

13 Q. Did TEC-RI survey its members to determine what their priorities were?

14 A. Yes. Out of that survey came a list of interests that TEC-RI had in connection
15 with the upcoming NECo dockets (at the time they included the proof of
16 savings – Docket No. 2930, and the new revenue neutral cost of service filing
17 – Docket No. 3610).

18

19 NECo contacted TEC-RI back in January 2004 to begin discussions. The
20 Settlement negotiations began in earnest in April 2004. It was a cooperative
21 and helpful effort by NECo. They listened to our interests, met the ones they
22 could, and explained their rationale when they could not.

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1 TEC-RI had a range of excess earnings in mind based on the record in the
2 proof of savings docket. The data which NECo presented in the Settlement
3 were generally consistent with what we expected.

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5 Q. Did TEC-RI or its consultant examine all of the data associated with NECo's
6 accounting?

7 A. No. We do not have the resources to systematically examine the data
8 associated with the company's cost accounting. We left that up to the Division
9 of Public Utilities and Carriers (" the Division") and its consultants.

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11 We relied on the expertise provided by the Division for the following:

- 12
13 1. Amount of savings that NECo achieved as a result of the merger in
14 2000.
15 2. Excess earnings during the Docket No. 2930 Settlement period (2000-
16 2004).
17 3. Revenue requirement going forward to earn 10.5%.

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19 We also relied on NECo for answers to questions, in particular how certain
20 rate changes would affect customer bills going forward.

21
22 Q. Did TEC-RI get everything it wanted?

23 A. No.

1 Q. Even though you did not get everything you wanted, does TEC-RI believe that
2 this settlement is the best TEC-RI could achieve given the circumstances?

3 A. Yes. While it may have been possible that we might achieve more in a
4 contested docket, it was also possible that we could expend significant
5 resources; delay the onset of rate relief; and achieve no new benefits for
6 members or ratepayers.

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8 The bottom line was this: we did not think the substantial additional
9 investment (we estimated it to be in the range of \$300,000 - \$500,000) to
10 pursue a fully litigated case was a wise one, given that we had already
11 achieved most of what we set out to achieve. Our members stated that they
12 could not afford the estimated costs of a fully litigated case. While there were
13 additional things we would have liked, we also would put at risk what we had
14 already accomplished.

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16 Q. Are you asking the Commission to approve the Settlement?

17 A. Yes. This settlement was a collaborative effort which has also received the
18 support of the Division, the Attorney General's office, and the United States
19 Department of the Navy. We respectfully request that this Settlement be
20 approved so that all parties can receive the benefits that it provides.

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John Farley
Executive Director

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Sworn to and subscribed before me by John Farley, Executive Director of the Energy Council of Rhode Island on this ____ day of September 2004.

Notary Public
My

comm.

expires:_____