



December 17, 2004

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket No. 3642 - In Re: Rules Governing Energy Source Disclosure
The Narragansett Electric Company's Comments**

Dear Ms. Massaro:

Enclosed please find ten copies of The Narragansett Electric Company's ("Company" or "Narragansett") comments on the Commission's proposed rules governing energy source disclosure. Narragansett's Attachment A contains a marked version of the rules including the Company's edits. Attachment B to Narragansett's comments contains sample disclosure labels based on the proposed rules.

Thank you for your attention to this filing. If you have any questions, please do not hesitate to call me at (401) 784-7667.

Very truly yours,

Laura S. Olton

Enclosures

cc: Paul Roberti
Steve Scialabba
Erich Stephens

proposed rules) and not electric *utility* distribution companies. As such, the word “utility” should be stricken. Additionally, the definition of nonregulated power producer from § 39-1-2 should be included in the definitions section of the proposed rules. Such an inclusion would be consistent with Section III.D. In the definition of nonregulated power producer, the Commission should include the acronym “NPP” as it uses the term NPP in other provisions of the rules (*see, e.g.*, last sentence of Section III.L, Section VI.C.)

Section V -- Disclosure Requirements

Section V.A. requires, “The Energy source disclosure shall show the percentages of energy obtained from each of the Eligible renewable energy resources, as well as the percentage obtained from nuclear, natural gas, oil (which may include any fossil fuel), hydroelectric plants that are not Eligible renewable energy resources, and coal.” The proposed regulations should utilize the energy fuel source categories as provided by the New England GIS (“NE-GIS”) in order to provide consistent information from all Obligated Entities. These NE-GIS energy fuel source categories incorporate the Eligible renewable energy resources as defined in R.I.G.L. § 39-26-5. These rules should be designed to work within the framework of existing systems, and not create categories that are not reflected in, or are inconsistent with, the NE-GIS. To do otherwise would impose additional costs with no perceived incremental benefit. Obligated Entities should not have to map the NE-GIS fuel source categories to unique Rhode Island categories.

The last sentence of Section V.A. provides, “The Energy source disclosure shall also indicate the emissions created as a result of generating said electricity.” The proposed regulation does not specify, however, which emissions should be reported. Narragansett believes there should be consistent reporting among entities regarding which emissions will

be disclosed on the label, and also should use the NE-GIS data for reporting. Narragansett also recommends that the emissions be reported as a percentage relative to the New England regional average for the same time period. The New England regional average information is available from the NE-GIS. This would provide customers with the information needed to compare various supply options. Narragansett has included suggested language in Narragansett Attachment A.

Narragansett also proposes to clarify the language in Section V.B. regarding the time period that the disclosure label covers. The proposed language in Section V.B. currently states, “Energy source disclosures shall be distributed to consumers on a quarterly basis covering the most recent one-year period prior to the quarter for which resource portfolio information has been updated.” In that sentence, Narragansett proposes: (1) striking “prior to the quarter” and inserting “including the most recent quarter”; and (2) striking “resource portfolio information has been updated” and inserting, consistent with the discussions at the public hearing on December 15, 2004, “for which NE-GIS data has been finalized.” Thus, Narragansett’s proposed revision to Section V.B. would read:

Energy source disclosures shall be distributed to consumers on a quarterly basis covering the most recent one-year period including the most recent quarter for which NE-GIS data has been finalized.

The revised language makes clear that the disclosure is distributed quarterly and represents a rolling one-year period, including the most recently available information. Based on the requirement that the first label be distributed in July 2005 and the NE-GIS trading period calendar, the first label will contain information, at a minimum, for the time period October 1, 2004 through December 31, 2004.

As Narragansett mentioned at the public hearing, the Company suggests that during the first 12-months that disclosure labels are distributed, the information contained in the labels be phased-in by quarter. In other words, the first label would include only data from first quarter of data available from the NE-GIS, and the second label would include data from the first and second quarter of data available from the NE-GIS. Once four quarters of data become available in the NE-GIS, then the fourth label, and all subsequent labels, will include the most recent rolling one-year of data. A phase-in would allow Obligated Entities to arrange the transfer of NE-GIS information into their accounts from the accounts of their suppliers. Prior to the issuance of these disclosure regulations, Obligated Entities were not required to provide this information so they had no need to require the transfers of NE-GIS information into their accounts. Since information from prior NE-GIS trading periods are unable to be transferred within the NE-GIS system this information is not available to Obligated Entities. Narragansett has inserted a sentence in the draft rules to reflect the phase-in concept.

Section V.C. allows Obligated Entities to “recover in rates all incremental costs associated with the preparation and distribution of the disclosure labels.” This may infer that, for an electric distribution utility, these costs would be recovered in the distribution rates and not as part of the supply costs. Narragansett recommends that these costs be recovered instead as part of the supply costs of the various Electrical energy products. The disclosure costs are clearly supply-related costs, and all suppliers will incur them. Because the only means for NPPs to recover these costs is through the commodity rate, it would also be appropriate for the recovery of these costs to also be reflected in the commodity rate of utility-provided supply (i.e., Standard Offer or Last Resort service). Unless the costs are

recovered only on the commodity portion of the service, there is the potential that competitively-supplied customers would pay these costs twice (once to their NPPs and once to the utility). Further, unless the utility recovers these costs through the commodity service, NPPs will be competitively disadvantaged. Recovery of the disclosure costs in the commodity portion of the service is necessary to ensure a level playing field between regulated electric distribution utilities and NPPs. Accordingly, Narragansett proposes that Section V.C. be revised to provide:

The Obligated entities shall be allowed to recover in the retail rate of the Electrical energy product all incremental costs associated with preparation and distribution of the disclosure label.

Section V.E. addresses voluntary purchases of Generation attributes. The proposed regulation states that the energy source disclosure presented to any end-use customer shall take into consideration and account for voluntary purchases of Generation attributes. The proposed rule does not clearly identify the entity that shall prepare such label, but it would be unreasonable and burdensome for Narragansett to prepare any such labels on behalf of the GreenUp Service Suppliers. At the outset it should be noted that Narragansett works with four different GreenUp Service Suppliers, and altogether these GreenUp Service Suppliers currently provide six different voluntary green supply offerings to customers. If required to do so, Narragansett would be responsible for gathering the data and preparing six different labels for the GreenUp supply offerings, in addition to the two labels it will prepare for Standard Offer Service and Last Resort Service.

More importantly, however, Narragansett never anticipated providing such environmental disclosures to customers on behalf of the GreenUp Service Suppliers. Narragansett's Terms and Conditions for GreenUp Service, R.I.P.U.C. No. 1167-B, clearly

anticipated this issue and placed the responsibility for preparing and distributing such environmental disclosure statements to customers on the GreenUp Service Supplier. *See* R.I.P.U.C. No. 1167-B, Sections 3C(10), 5E. Section 5E provides that “GreenUp Service Suppliers shall provide Environmental Disclosure Statements to Customers in accordance with the R.I.P.U.C. Consumer Protection Requirements for NPPs and these Terms and Conditions.” Section II.F. of the Commission’s Consumer Protection Requirements for NPPs requires NPPs to provide fuel and environmental impacts of the NPP’s source or sources of generation to customers in the format prescribed by the Commission upon its adoption of such a format. Narragansett believes the same responsibility rests with the GreenUp Service Suppliers. Accordingly, Narragansett believes that Section V.E. should be removed.

Section VI -- Enforcement and Oversight

Section VI.A. requires the Obligated Entities to file with the Commission each quarter a copy of the energy source disclosure label that it presents to end users. The last part of the sentence in VI.A. indicates that the label covers “the most recent three-month period.” Narragansett believes that it should state “twelve-month period” rather than “three-month period” as Section V.B. of the proposed regulations requires the disclosure label to cover a rolling one-year period.

Section VI.B. contains the filing requirement for an Obligated Entity setting forth the costs to provide Energy source disclosure labels. Since the first label will be distributed in July 2005, the fourth label will not be distributed until April 2006. Obligated Entities will not be able to include the costs incurred for the distribution of this fourth label. It would be better if the filing requirement is scheduled to coincide with the anniversary of the distribution of the first disclosure label, and annually thereafter. This would allow the

Obligated Entities to provide a full year (4 disclosure labels) of costs to the Commission. Thus, Narragansett proposes that the date “April 1, 2006” in the first sentence of Section VI.B. be replaced with “July 1, 2006.”

Section VI.D. contains the enforcement and oversight provisions for electric distribution companies. This provision states that in the event an electric distribution company does not comply with the proposed rules, “the Commission will undertake an investigation to determine whether or not to deny recovery through rates of all or a portion of that quarter’s expenses directly resulting from R.I. Gen Laws 39-26-1 et seq.” Narragansett recognizes the need for oversight and review of the disclosure labels by the Commission, but believes the proposed rules should allow for an investigation first to determine the cause for noncompliance, and why such penalties would not be appropriate if the error was caused by negligence or an oversight by the Company. Accordingly, Narragansett proposes that Section VI.D. be revised to provide:

In the event an electric distribution company does not comply with the Commission’s Rules Governing Energy Source Disclosure By Obligated Entities, the Commission may undertake an investigation regarding such non-compliance. At such investigation, the Commission may determine whether or not to deny recovery of all or a portion of those expenses resulting from noncompliance with R.I. Gen Laws 39-26-1 et seq.

At such proceeding the Commission can investigate and determine whether penalties are necessary and should be imposed.

Sample Energy Source Disclosure Label

Narragansett has attached to these comments sample disclosure labels for standard offer service and last resort service based on the Commission’s draft rules. The sample disclosure labels are attached as Narragansett Attachment B.

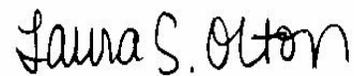
Conclusion

Narragansett appreciates the opportunity to comment on the proposed rules.

THE NARRAGANSETT ELECTRIC COMPANY

By its Attorney,

Laura S. Olton

A handwritten signature in black ink that reads "Laura S. Olton". The signature is written in a cursive, slightly slanted style.

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

RULES GOVERNING ENERGY SOURCE DISCLOSURE

Date of Public Notice:

Date of Public Hearing:

Effective Date: April 1, 2005

I. Purpose, Methodology and Findings**II. Statutory Authority**

The Commission has the statutory authority to promulgate these Rules under R.I. Gen. Laws §§ 42-35 et seq., 39-1 et seq., 39-2 et seq., 39-26-9.

III. Definitions

- A. “Commission” means the Public Utilities Commission.
- B. “Division” means the Division of Public Utilities and Carriers.
- C. “Electrical energy product” means an electrical energy offering, including but not limited to last resort and standard offer service, that can be distinguished by its generation attributes or other characteristics, and that is offered for sale by an obligated entity to end-use customers.
- D. “Electric distribution company” means a company engaging in the distribution of electricity or owning, operating, or controlling distribution facilities.
- E. “Eligible renewable energy resource” means resources as defined in R.I. Gen. Laws § 39-26-5.
- F. “End-use customer” means a person or entity in Rhode Island that purchases electrical energy at retail from an obligated entity or directly from the ISO-NE wholesale market.
- G. “Generation attributes” means the non-price characteristics of the electrical energy output of a generation unit including, but not limited to, the unit’s fuel type, emissions, vintage and policy eligibility.

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- H. “ISO-NE” means the Independent System Operator in New England the Regional Transmission Organization or any successor organization responsible for the day-to-day reliable operation of New England’s bulk power generation and transmission system, oversight of the region’s wholesale electricity markets, and management of a comprehensive regional bulk power system planning process.
- I. “NE-GIS” means the generation information system operated by NEPOOL, its designee or successor entity, which includes a generation information database and certificate system, and that accounts for the generation attributes of electrical energy consumed within NEPOOL.
- J. “NE-GIS certificate” means an electronic record produced by the NE-GIS that identifies the relevant generation attributes of each megawatt-hour accounted for in the NE-GIS.
- K. “NEPOOL” means New England Power Pool or its successor.
- L. “Nonregulated power producer” or “NPP” means a company engaging in the business of producing, manufacturing, generating, buying, aggregating, marketing or brokering electricity for sale at wholesale or for retail sale to the public as defined in R.I. Gen. Laws § 39-1-2.
- M. “Obligated entity” means a person or entity that sells electrical energy to end-use customers in Rhode Island, including, but not limited to: nonregulated power producers and electric ~~distribution~~ companies, as defined in R.I. Gen. Laws § 39-1-2, supplying standard offer service,

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last resort service, or any successor service to end-use customers; including Narragansett Electric, but not to include Block Island Power Company as described in R.I. Gen. Laws § 39-26-7 or Pascoag Utility District. An Obligated entity shall not include ISO-NE or NEPOOL. NPP members of NEPOOL are Obligated entities.

IV. Applicability

A. These Rules shall be applicable to all Obligated entities.

V. Disclosure Requirements

A. The Energy source disclosure shall indicate what sources of energy were used to generate electricity for each Electrical energy product, expressed as a percentage of the total amount of energy used towards each Electrical energy product. Obligated entities shall use the energy fuel source categories as provided by the NE-GIS. The Energy source disclosure shall show the percentages of energy obtained from each of the Eligible renewable energy resources, as well as the percentage energy obtained from nuclear plants, natural gas, oil (which may include any fossil fuel), hydroelectric plants that are not Eligible renewable energy resources, and coal. The Energy source disclosure shall also indicate the emissions created as a result of generating said electricity and provided by the NE-GIS. Such emissions shall be presented as a percentage of the New England regional average, as provided by the NE-GIS for the same time period.

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- B. Energy source disclosures shall be distributed to consumers on a quarterly basis covering the most recent one-year period including the most recent quarter for which NE-GIS data has been finalized. For the first year of disclosure under these regulations, Obligated entities may phase in the quarterly information rather than provide the most recent one-year period.
- C. The Obligated entities shall be allowed to recover in the retail rate of the Electrical energy product all incremental costs associated with preparation and distribution of the disclosure label.
- D. NE-GIS certificates shall be used for the calculation of the Energy source disclosure.

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VI. Enforcement and Oversight

- A. Quarterly, commencing on July 1, 2005, three months following the Effective date of these Rules Governing Energy Source Disclosure By Obligated Entities, each Obligated entity shall file with the Commission a copy of the Energy source disclosure label that it presents to an end-user covering the most recent twelve-month period.
- B. Annually, commencing July 1, 2006, each electric distribution company shall file with the Commission a report setting forth the costs to the Obligated entity, whether or not passed through to end-users, of carrying out the Commission's Rules Governing Energy Source Disclosure By Obligated Entities, including the NE-GIS costs, and incremental printing and postage costs associated with preparation and

Deleted: <#>The Energy source disclosure presented to any particular End-use customer shall take into consideration and account for voluntary purchases of Generation attributes or related products, including purchases made by the End-use customer from providers other than the Obligated entity, even if the End-use customer is billed by the Obligated entity and also served by that Obligated entity's Electrical energy product.*

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distribution of the disclosure label during the prior twelve-month period.

C. In the event an Obligated entity who is an NPP does not comply with the Commission’s Rules Governing Energy Source Disclosure By Obligated Entities, the Commission will advise the Division and the NPP for an investigation under the Division’s Rules Applicable to Nonregulated Power Producers III(B)(3).

D. In the event ~~an~~ electric distribution company does not comply with the Commission’s Rules Governing Energy Source Disclosure By Obligated Entities, the Commission ~~may~~ undertake an investigation regarding such non-compliance. At such investigation, the Commission may determine whether or not to deny recovery of all or a portion of those expenses resulting from noncompliance with R.I. Gen Laws 39-26-1 et seq.

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VII. Effective Date for Compliance

The effective date for these Rules shall be April 1, 2005.

VIII. Severability

If any part of these Rules is found to be invalid or its application to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of the Rules which can be given effect without the invalid provision or application, and to this end, the provisions of these Rules are severable.

The Disclosure Label

Electric power suppliers are required by the Rhode Island Public Utilities Commission (PUC) to provide customers with a disclosure label. The label enables consumers to look at the energy sources and air emissions. Consumers can compare energy labels to make the best choice based on their energy needs.

Electricity Facts

Narragansett Electric Company – Standard Offer Service

Power Sources

Demand for this electricity product in the period 1/1/04-3/31/04 was assigned generation from the following sources:

Power Source	Resource Mix
Biomass	0.1%
Coal	25.0%
Diesel	2.2%
Digester Gas	0.0%
Fuel Cell	0.0%
Hydroelectric/Hydropower	3.5%
Jet	0.6%
Landfill Gas	0.0%
Natural Gas	24.8%
Nuclear	25.6%
Oil	13.9%
System Mix	3.0%
Trash-to-Energy	0.7%
Wind	0.0%
Wood	0.5%

Air Emissions

Air emissions from the electric power resources used to serve Narragansett Electric's Standard Offer Service customers are compared to the New England regional average air emissions for all power resources in the period 1/1/04-3/31/04.

Air Emissions	Resource Mix as a % of NEPOOL System Mix
Carbon Dioxide	107.9%
Carbon Monoxide	73.6%
Mercury	0.5%
Nitrogen Oxides	101.9%
Particulates	37.7%
Particulates (< 10 microns)	43.2%
Sulphur Dioxides	113.8%
Organic Compounds	10.1%

NOTES

- Electricity customers in New England are served by an integrated power grid, not particular generating units. The above information is based on the most recently available information provided by the Company's suppliers via the NEPOOL Generation Information System. Narragansett Electric procures its electricity supply for Standard Offer Service, on behalf of its customers, from system power contracts, not from specific generating units.
- You may call Narragansett Electric Company at 1(800)322-3223 or the Rhode Island Public Utilities Commission at (401) 941-4500.

The Disclosure Label

Electric power suppliers are required by the Rhode Island Public Utilities Commission (PUC) to provide customers with a disclosure label. The label enables consumers to look at the energy sources and air emissions. Consumers can compare energy labels to make the best choice based on their energy needs.

Electricity Facts

Narragansett Electric Company – Last Resort Service

Power Sources

Demand for this electricity product in the period 1/1/04-3/31/04 was assigned generation from the following sources:

Power Source	Resource Mix
Biomass	0.1%
Coal	8.5%
Diesel	3.0%
Digester Gas	0.0%
Fuel Cell	0.0%
Hydroelectric/Hydropower	1.1%
Jet	0.8%
Landfill Gas	0.0%
Natural Gas	30.4%
Nuclear	34.6%
Oil	16.6%
System Mix	4.0%
Trash-to-Energy	0.2%
Wind	0.0%
Wood	0.6%

Air Emissions

Air emissions from the electric power resources used to serve Narragansett Electric's Last Resort Service customers are compared to the New England regional average air emissions for all power resources in the period 1/1/04-3/31/04.

Air Emissions	Resource Mix as a % of NEPOOL System Mix
Carbon Dioxide	87.6%
Carbon Monoxide	66.7%
Mercury	0.3%
Nitrogen Oxides	85.6%
Particulates	42.5%
Particulates (< 10 microns)	50.3%
Sulphur Dioxides	99.3%
Organic Compounds	10.2%

NOTES

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2. You may call Narragansett Electric Company at 1(800)322-3223 or the Rhode Island Public Utilities Commission at (401) 941-4500.