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April 2, 2007

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

In Re: Gas Energy Efficiency Programs for 2007
Docket No. 3790

Dear Luly:

Enclosed are an original and nine copies of John Farley's testimony on behalf of The Energy Council of Rhode.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:tmg
TecRI:Massaro2
cc: Service list

BEFORE THE
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

In Re: National Grid Gas Energy
Efficiency Programs for 2007

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Docket No. 3790

Direct Testimony of

John Farley

On Behalf of

The Energy Council of Rhode Island

Regarding National Grid's
Gas Energy Efficiency Programs

April 2, 2007

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. I have been the TEC-RI Executive Director since July 2004.

5
6 **Q. Please identify TEC-RI.**

7 A. TEC-RI is a non-profit energy consortium made up of many of the largest
8 commercial and industrial users of energy in Rhode Island. TEC-RI's objective is
9 to lower the cost of energy for Rhode Island businesses while preserving
10 environmental quality and adequate supply. A list of the businesses and other
11 organizations that are members of TEC-RI is attached hereto as Exhibit JF-1.

12
13 **Q. What is your background?**

14 A. I am currently the President of John Farley Consulting, an independent energy
15 consulting firm specializing in the retail energy business. My practice focuses on
16 demand-side management, utility rates, energy efficiency, performance
17 contracting, cost-effectiveness, and measurement & verification. I have twenty-
18 three (23) years of professional experience in the energy field. A native Rhode
19 Islander, I have completed demand-side management projects to benefit
20 customers in over 30 states and several foreign countries. I have held senior
21 technical, executive, and sales positions with several leading firms and
22 organizations spanning government, utility, consulting, energy services, and end
23 user customer perspectives.

1 Before forming my own company, I served as Vice President of Sales and
2 Marketing for EPS Solutions, an information technology company serving the
3 utility industry. Prior to that, I was the Manager of Information Services for
4 TASC/LODESTAR, where my duties included building and managing an
5 information service in conjunction with EPRI to provide critical data to utilities
6 for DSM planning and impact evaluation. Prior to that, I served as Senior
7 Analyst for seven years at COM/Energy, a combination gas and electric utility
8 that has since merged into NSTAR. At COM/Energy, I led a team of 6 staff in
9 conducting demand side management (DSM) impact and process evaluations, as
10 well as DSM planning and cost-effectiveness. My career began as a technical
11 advisor to the RI Governor's Energy Office managing projects with small
12 commercial energy auditing, renewable energy, and other energy efficiency
13 applications. I have a Bachelor of Science degree in Physics with highest honors
14 from Providence College.

15
16 **Q. What is the purpose of this testimony?**

17 **A.** The purpose of this testimony is to express the full support of TEC-RI for the
18 Settlement which has been agreed to by the parties to this docket. TEC-RI has
19 signed on to the Settlement and urges the Commission to approve it in full. TEC-
20 RI especially urges the Commission to adopt the guidelines regarding self-directed
21 demand side management programs for manufacturers, which all parties have
22 agreed to (see paragraph III.B .2 and Attachment 5 to the Settlement) .

1 **Q. Please explain why TEC-RI signed the Settlement.**

2 A. TEC-RI signed the Settlement because we concluded that it achieves our major
3 objectives in this docket, and avoids a more costly, litigated proceeding.

4
5 **Q. What specific benefits do you believe the Settlement provides for Rhode
6 Island ratepayers as a whole?**

7 A. The Settlement provides benefits for Rhode Island ratepayers in several respects.
8 First, it ensures that cost-effective gas demand-side management (DSM)
9 programs are made available to Rhode Island ratepayers in an expedited fashion,
10 consistent with the provisions of R.I.G.L. 39-2-1.2 (d).

11
12 Second, it provides opportunities for natural gas savings by all classes of
13 customers across the major gas end uses in Rhode Island.

14
15 Third, it lays the groundwork for integrating gas and electric DSM offerings to
16 customers. Doing so should achieve cost savings and higher quality services.

17
18 **Q. Why is this Settlement good for TEC-RI members and other large
19 commercial and industrial gas users?**

20 A. TEC-RI identified five key interests of large gas users with respect to this docket.
21 I will mention each and then explain how this Settlement has addressed these
22 interests.

23

1 1. Distributed Generation.

2 R.I.G. L. 39-2-1.2(f) allows the Commission to except from the demand side
3 management charge (referred to in this filing as the “energy efficiency
4 surcharge”) gas used for distributed generation, if reasonable and feasible. All
5 parties to this Settlement have agreed that gas used for distributed generation
6 (except emergency generators) should not be subject to the surcharge when gas
7 used for that purpose can be clearly identified through uniquely metered use.
8 This is persuasive evidence that such an exception is both reasonable (all parties
9 concur) and feasible (through separate metering).

10
11 2. Self-Directed Programs

12 R.I.G.L. 39-2-1.2(f) also allows the Commission to except gas used for
13 manufacturing processes from the energy efficiency surcharge where the
14 customer has established a self-directed program that is approved by the
15 Commission. All parties to this Settlement request that the Commission establish
16 an administratively simple procedure for such exemption, whereby a
17 manufacturer who chooses to participate may submit its self-directed program
18 and annual reports to the Commission for approval. All parties have also
19 developed recommended guidelines for this process (see Attachment 5 to the
20 Settlement).

21
22 These guidelines cover the required elements of a self-directed program that a
23 manufacturer would set up. The guidelines also discuss the procedures that a

1 manufacturer would follow to establish the program, apply for approval,
2 implement the program, verify the savings, and file annual reports. Finally, the
3 guidelines include standards of practice to ensure high quality energy efficiency
4 activities, including cost-effectiveness criteria as well as measurement &
5 verification requirements.

6
7 TEC-RI asks that the Commission adopt these guidelines now so that the self-
8 directed programs can be up and running as soon as practical. In making this
9 request, TEC-RI shares the concern of the other parties that any consideration of
10 these guidelines not delay or put at risk the approval of the overall Settlement.

11
12 The parties to this Settlement have approved these guidelines. These parties
13 include the perspectives of large commercial and industrial customers, ratepayers
14 as a whole, environmental and energy efficiency advocacy, energy policy for
15 Rhode Island, and the distribution utility. Since all interested parties have
16 worked hard to develop these guidelines, and all parties are in agreement that the
17 guidelines are reasonable and are in accordance with R.I.G.L. 39-2-1.2 (f), TEC-
18 RI respectfully submits that there is no compelling reason to open a separate
19 proceeding to consider these guidelines. In our estimate, such a proceeding
20 would result in needless delay and additional costs.

1 **3. Combined Heat & Power Systems**

2 R.I.G.L. 39-2-1.2 (d) specifies that the demand-side management programs
3 shall include a program for combined heat and power (“CHP”) systems. The
4 proposed Commercial Energy Efficiency Program includes a component for CHP
5 systems with incentives based on energy savings and efficiency gains. The Parties
6 have also agreed to continue to work together to determine specific eligibility
7 criteria for CHP systems.

8
9 **4. Customer Class Parity**

10 TEC-RI supports parity in funding across customer classes. The budgets in this
11 Settlement are well balanced across customer classes. The program budgets for
12 each sector (residential versus commercial/industrial) are more or less equal to
13 the amount of funding contributed by that sector from the surcharge.

14
15 **5. Continued Cooperative Efforts**

16 TEC-RI would like to continue to be a party to any gas DSM collaborative in the
17 future. Therefore, TEC-RI supports the recommendation in the Settlement to
18 expand the focus of the Rhode Island Collaborative that has been involved with
19 electric efficiency programs in Rhode Island to include a focus on gas efficiency
20 programs as well.

1 **Q. Does TEC-RI support the shareholder incentive mechanism proposed in**
2 **the Settlement?**

3 A. Yes. TEC-RI believes that the shareholder incentive mechanism proposed in the
4 Settlement is a reasonable mechanism that provides the Company with the
5 appropriate incentives to maximize energy savings.

6
7 **Q. Does TEC-RI support the proposed surcharge level?**

8 A. Yes. The proposed surcharge level of 11.4 cents per decatherm for the
9 period July 2007 through December 2008 has been set to provide the
10 Company with the funding to support the program activity levels which are
11 attainable during the initial ramp-up period of the programs. TEC-RI joins the
12 other Parties in support of increasing the energy efficiency surcharge over time
13 commensurate with customer demand for program services, up to the maximum
14 of 15 cents per decatherm allowed under the law.

15
16 **Q. Is TEC-RI asking the Commission to approve the Settlement?**

17 A. Yes. This Settlement was a collaborative effort which has received the support
18 of the Division of Public Utilities and Carriers, The Rhode Island Office of Energy
19 Resources, People's Power and Light, Environment Northeast, and National
20 Grid. We respectfully request that this Settlement be approved so that all parties
21 can begin to receive the benefits that it provides as soon as possible.

1 **Q. Does this conclude your testimony at this time?**

2 **A. Yes.**

TEC-RI MEMBERS

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| Amica Mutual Insurance Company | Newport Athletic Club |
| B. A. Ballou & Company, Inc. | Newport Hospital |
| Brown University | North Safety Equipment |
| Bryant University | Original Bradford Soapworks |
| Calise & Sons Bakery, Inc. | OSRAM Sylvania |
| Clariant Corporation | Pease and Curren |
| Cooley, Inc. | Polytop Corporation |
| Colibri Group | Providence College |
| Fairfield Resorts (The InnGroup) | Raytheon Company |
| Electric Boat | Rhode Island Hospital |
| GTECH Corporation | Rhode Island School of Design |
| Hasbro, Inc. | R.I. Dept. of Administration ** |
| Hudson Companies | Rhodes Technologies |
| Hyatt Regency Newport | Roger Williams University |
| International Packaging Corporation | Salve Regina University |
| Jay Packaging Group | Soluol Chemical Company, Inc. |
| Johnson & Wales University | Stanley-Bostitch |
| Kenney Manufacturing Company | TACO Inc. |
| Kenyon Industries | TECH Industries Inc. |
| J. H. Lynch & Sons, Inc. | Teknor Apex Company |
| Mahr Federal Inc. | Toray Plastics America Inc. |
| Matrix, Inc. | U.S. Naval Station Newport ** |
| Microfibres, Inc. | U.S. Navy, NUWC Division ** |
| The Moore Company | UVEX Safety Inc. |
| | Westerly Hospital |

** = members, but charters preclude TEC-RI from directly representing in this docket