

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY, :
d/b/a/NATIONAL GRID. TARIFF ADVICE FILING :
TO AMEND R.I.P.U.C. NG-GAS No. 101 :
TO ELIMINATE NON-FIRM SALES AND :
UPDATE TRANSPORTATION SERVICE AGREEMENT : Docket 4056

PUBLIC COMMENTS OF THE ENERGY COUNCIL OF RHODE ISLAND

The Energy Council of Rhode Island (“TEC-RI”) appreciates the opportunity to provide comments in this case. In docket 4056, National Grid (“the Company”) seeks to amend its tariff so as to eliminate Non-Firm Sales Service.

Background

In Docket 3943, the Company proposed eliminating Non-Firm Sales Service. TEC-RI proposed that the Company retain the non-firm sales tariff until the Company determines that no current customer under that tariff will be harmed if it is eliminated.

The Commission rejected the Company’s proposal to eliminate non-Firm Sales Service. The Commission stated the following in its Written Order issued January 29, 2009:

“The Commission has not been presented with sufficient evidence to determine the full implications of eliminating non-firm sales service, as proposed. The Company’s request to eliminate non-firm sales service is therefore denied.”

On May 1, 2009, the Company filed with the Commission to amend its tariff to eliminate Non-Firm Sales Service effective June 1, 2009. The Company maintains in this filing that it is responsive to the Commission because it conducted a poll of existing marketers to determine their willingness to serve the needs of these non-firm sales service customers. Of the eight marketers polled, four indicated to the Company that they do not have any restrictions on serving customers in this rate class and that customers would be able to obtain natural gas from them [Czekanski pre-filed Direct Testimony, page 4, lines 7-13].

In its cover letter dated May 1, 2009 submitting this filing to the Commission, the Company states that “this additional information addresses the issue and concerns raised in Docket No. 3943 and demonstrates that no current non-firm customer using non-firm sales will be harmed by its elimination.”

TEC-RI Comments

TEC-RI has one overriding concern about the nature of the Company’s filing. Beyond that, we have several specific concerns that we will also address.

(1) Overriding Concern: the Company has not provided the evidence that the Commission needs in order to justify the Company’s claim that no current non-firm customer using non-firm sales service will be harmed by its elimination.

TEC-RI is very concerned that the Commission does not have the evidence it needs to make the finding that the Company requests in this docket. The Company’s anonymous poll of marketers simply does not address the issue at hand, which is whether or not any current customer under the tariff will be harmed if it is eliminated. The Company should have presented evidence about customer needs, rather than marketer intentions. The Company needs to interview customers instead of marketers!

As TEC-RI recommended in the Direct Testimony of its witness John Farley in docket 3943 (page 17, lines 8-22), the Company should **contact its non-firm sales customers to determine their needs and provide a report of its findings to the Commission, the Division, and other parties in the docket.**

Pending the nature of these findings - findings about the customers, not marketers – , the Commission can then rule on whether or not to eliminate the non-firm sales tariff.

As things stand now, the Commission lacks the grounds for making the finding the Company requests, namely that no current non-firm sales service customer will be harmed by its elimination.

The poll of marketers is clearly inadequate for several reasons.

First of all, the marketers are not identified, so their views or proposals cannot be verified by the Commission (or any other party). In fact, no specific views or proposals of individual marketers were even provided. The filing did not include any letters from the marketers who were interviewed. The Company did not provide its notes from the surveys. There is no record of precisely what specific marketers said or provided to the Company. There are no contact names or phone numbers which would enable the Commission or other parties to follow up and verify the information given.

Second, the undocumented claims by these unidentified marketers cannot substitute for interviews of the affected customers themselves. The objective is to determine any harm that would come to non-firm sales service customers. The marketers do not even know who these customers are! How can they possibly warrant that no harm will come to these customers?

Third, another fundamental problem with using the opinions of the marketers is the fact that their interests are not necessarily aligned with the interests of the customers.

If this service is eliminated, the marketers gain by eliminating a competitor, while the customers lose their supplier of choice (historically).

It is somewhat baffling that the Company would choose to talk to marketers (who don't serve these customers) rather than speak to their own customers (with whom they have a business relationship).

Fourth, based on the Company's characterization of the survey, it did not ask the types of questions necessary to shed light on the issue at hand. The questions asked were limited to (1) whether that marketer had any restrictions on serving non-firm sales service customers, and (2) whether non-firm sales customers would be able to obtain natural gas from the marketer under the non-firm transportation tariff. It does not appear that the marketers who were polled know who these customers are, and so they can only provide the most general of responses about them.

It is simply not possible for the Commission to learn anything about the affected ratepayer group from the Company's investigation. This is a basic deficiency and needs to be addressed.

There is nothing in this filing at all about the non-firm sales service customers.

The Company did not present any information to the Commission about the characteristics of the customers who will be directly affected if non-firm sales service is eliminated. There are some basic facts that the Commission probably ought to know about these customers. They include:

1. How many customers are there?
2. What is the size of the load?
3. What makes these non-firm sales service customers different from non-firm customers on transportation service (who get their gas from a marketer)?

4. Why has this customer stayed with sales service from the Company rather than get their supply from a marketer?
5. What obstacles (if any) do they see to their getting competitively priced offers from gas marketers?
6. What is their experience in procuring energy on a competitive basis, if any?
7. What is their internal approval process for a new supplier? How long does it take?
8. How easy or difficult will it be for the customer to provide the kinds of credit documentation that are customarily required by marketers? Are marketer credit requirements stricter than the Company's requirements?
9. Can the Company provide firm service to this customer? Does the fact that certain non-firm customers cannot be served by the Company on a firm basis in any way make it less likely that a marketer would want to provide service to them?
10. What other aspects of this customer's profile may provide barriers to getting competitively priced bids from marketers? Things like geographic location, FT-1 versus FT-2, capacity assignment, size of load (annual dekatherms), load profile (monthly pattern of use).
11. Does non-firm status in combination with other factors like capacity assignment or size of load result in customers being less attractive to marketers?
12. Among customers who have left non-firm sales service in the past three years, how many have gone to firm sales service, how many have gone to non-firm transportation service, how many have gone to firm transportation service, and how many have canceled their account with the Company?

The truth is that we just do not know the answers to any of these questions. The Company did not include these facts about these customers in their filing.

We would like to think that these non-firm sales service customers can all get competitively-priced service from marketers. But the plain facts are these: today they get their gas from the Company; the Company does not want to serve them any more, and as of now no one knows whether they will be served by a competitively-priced marketer.

Since, unfortunately, the Company has not presented any information on the characteristics of the very customers who will be affected by eliminating non-firm sales service, there is no hard evidence that the Commission can use to make a determination in this filing.

The Commission lacks the grounds for making the finding that the Company requests, namely that no current non-firm customer using non-firm sales service will be harmed by its elimination.

There are a few additional points that we wish to make about this filing.

(2) The Company has not provided any reviewable evidence that can enable the Commission or any other party to verify the claim that all current non-firm sales service customers will have marketers serving them if non-firm sales service is eliminated.

The Company has provided no assurances that any marketer will in fact serve non-firm sales service customers once that service is ended. There are no commitment letters from marketers stating the terms under which they will offer services to current non-firm sales service customers. The Company has not secured an agreement from any marketer that commits them to providing service to these customers. Certainly it is reasonable to expect that many of these customers will receive competitive offers, but some may not, and nothing in the Company's filing provides an individual customer any assurance.

(3) Credit may become a barrier to certain non-firm sales service customers receiving service from a marketer. The marketers may have credit requirements that are stricter than the Company's requirements.

The Company reported to the Division that none of the customers who are currently taking non-firm sales have arrearages or evidence of recent payment problems that would suggest creditworthiness problems [Division position letter dated May 19, 2009].

What this means is that these customers satisfy the Company's definition of creditworthiness. This says nothing at all about whether these customers can satisfy the marketers' definition of creditworthiness.

In fact, it is very possible that marketers have a more restrictive set of criteria for customer creditworthiness than does the utility. For one thing, the utility can recover its uncollectible expense from the rest of the customers in rates, while the marketer does not have the same ability to do so.

(4) If a non-firm sales service customer cannot be served by the Company on a firm basis, and for any reason [credit approval for example] is not able to get competitive service from a marketer and continues to buy gas from the Company, the Company is proposing to apply a very severe price penalty.

If a non-firm sales customer chooses to use gas from National Grid, they would be charged the non-firm unauthorized rate after the first month. That rate is found in Section 6 Schedule C Item 1.05 as well as Section 6 Schedule C Item 4.04. The non-firm unauthorized use is charged with a penalty of 5 times the Daily Index. The Daily Index is the average city gate price in New England for a given day. So the Company would allow the customer to use its gas and charge it 5 times the going rate!

(5) The Company's time frames may be too short for some customers with challenging internal procurement processes.

The Company proposes to provide customers 45 days to enter into an agreement with a gas marketer. While that amount of time is reasonable for most customers, certain customers have internal review and approval processes for procurement with new vendors and new contracts that may take longer than 45 days.

(6) We would like to suggest an alternative approach to this issue of non-firm sales service.

First, the Commission would find that the current filing is inadequate because it does not provide the Commission with the hard, reviewable evidence it needs to substantiate the claim that no customer will be harmed by eliminating non-firm sales service.

Second, the Commission would order the Company to provide a report that is responsive to the Commission's needs, along the lines we suggest in this document.

Third, upon receiving that report and determining it to be satisfactory, the Commission would use the findings to identify any customer situations whereby the elimination of the non-firm sales service would likely cause harm without a remedy provided by the Company.

Fourth, the Commission could then order such remedy or remedies be put in place at the same time it issues a notice of intention to eliminate the non-firm sales service by a date certain, but no less than 90 days following the order.

Fifth, the Company, the customers, and marketers would use best efforts to assure that each non-firm sales service customer has secured an adequate arrangement for its gas supply. This would either be in the form of a contract with a marketer, or such other remedy as the Commission has seen fit to order the Company to provide so as to handle special situations that arise.

Finally, unless there is compelling evidence to the contrary, the Commission would then find that no harm has come to ratepayers and officially eliminate the non-firm sales tariff.

Again, thank you for the opportunity to provide these comments.

Respectfully Submitted,
The Energy Council of Rhode Island

By its executive director,

/s/ John Farley

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