

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMISSION

APPLICATION OF THE NARRAGANSETT)
ELECTRIC COMPANY D/B/A NATIONAL GRID)
FOR APPROVAL OF A CHANGE IN ELECTRIC) Dkt. No. 4065
DISTRIBUTION RATES)

Surrebuttal Comments of George Wiley Center

The George Wiley Center (the Center) files this response to the testimony of three witnesses: Howard Gorman for National Grid; Bruce A. Gay for the Division of Public Utilities and Carriers (the Division); and Susan F. Tierney, PhD for National Grid.

(1) Re Howard Gorman: The Center has suggested that the low-income A-60 class be afforded relief from the proposed rate increase – which for them will be double the increase of other residential customers – by retaining the level of the settlement fund discount and spreading the cost of this discount among all other customers at a price of pennies per month per customer. Mr. Gorman is National Grid’s expert on rates. He has expressed no opposition this suggestion.

(2) As to Bruce A. Gay: Mr. Gay has testified that he knows why residential customers become delinquent and that is not because of the state of the economy. It is, rather, because National Grid does not terminate their service fast enough. Both of these propositions are extraordinary on their faces. Because they are also harsh in their consequences, the purported factual foundations for each of these claims should be assessed with some care.

Taking the first: While Mr. Gay admits that the economy is “a factor” in causing charge-offs to National Grid, citing increases in bankruptcies in 2009, he complains that “it is difficult to quantify how much the current economic recession has impacted the

Company's charge-offs" and concludes: "However, it is clear that the Company's charge-offs were increasing in the years before the economic downturn." *Testimony and Exhibits of Bruce A. Gay* at 9. Mr. Gay deduces that, therefore, the economic downturn is not a "primary factor" in the Company's increase in charge-offs.

This conclusion lacks footing in the evidence provided. Mr. Gay does not consider whether the economy caused the increase in charge-offs *before* the downturn. He looks at bankruptcies in 2008 alone. He pays no attention to any evidence of economic stress other than bankruptcies, nor to evidence of economic stress before 2008, such as the number of people out of work in any of the last five years, or to the number of people earning minimum wage during those years, or to the number of households in poverty. Rhode Islanders have been struggling to pay their utility bills for years. The fact that Rhode Islanders did not first begin to struggle financially with the onset of this recession does not mean that financial stress is not a primary cause of delinquency. It means the exact opposite -- Rhode Islanders are more distressed by the recession than they would have been if they had not already been struggling before the recession began.

As to the second proposition: Mr. Gay goes on to deduce that the primary thing that causes delinquency must be National Grid's leniency in permitting people to get behind in their payments. This is a *post hoc ergo propter hoc* (after which therefore because of which) fallacy -- *i.e.*, reasoning which goes like this: a customer builds up a large delinquency, followed by the customer's inability to pay; therefore, the large delinquency must have caused customer's inability to pay.

The fallacy here is obvious. The fact that the inability to pay follows a large delinquency does not mean the large delinquency caused the inability to pay. To the

obvious contrary: The customer did not pay in month one, and month two, and month three, as well as in month seven, and eight, and nine. The question is why s/he stopped paying in the early months as well as in the later months. National Grid's leniency did not cause the early non-payments. The reasons for early non-payments are many. Most obvious is lack of funds due to loss of a job, or a health crisis, or a divorce, or any of the many other complicated reasons people get behind on their bills.

Because Mr. Gay concludes, fallaciously, that National Grid's leniency causes people to get behind on their bills, he claims that the cure is to terminate people sooner, no matter what their personal circumstances. The claim is both illogical and cruel. To terminate people after an arbitrarily selected drop-dead date, without regard to any customer's personal circumstances, would be unworthy of either the Division or the Public Utilities Commission.

(3) Susan F. Tierney, PhD.: The Wiley Center in its *Comments* noted that, as long as utility bills decline, decoupling will cause an increase in rates which low-income customers cannot afford to pay, a fact which National Grid and KeySpan acknowledged when decoupling was at issue in New York. Ms. Tierney does not deny this, nor does she take issue with the fact that decoupling will place an added burden on poor Rhode Islanders.

The Consumer Law Foundation supports the Wiley Center's suggestion that low-income customers be exempted from any decoupling program based on the fact that it may result in higher rates that will most adversely affect low-income customers. *Per-Filed Expert Testimony of Shanna Cleveland, Esq., on Behalf of Conservation Law Foundation* at pp. 23-24.

The Center opposes decoupling. In the alternative, it respectfully asks that, if decoupling is to come to Rhode Island, low-income Rhode Islanders either be afforded an appropriate discount or be excluded from the decoupling program.

Respectfully submitted,
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CERTIFICATE OF SERVICE

I certify that on the 27th of October, 2009, I emailed a copy of this document to all parties on the service list for this docket.

Ellen Taylor

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