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May 13, 2010

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

Re: 2011 Standard Offer Service Procurement Plan and
2011 Renewable Energy Standard Procurement Plan
Docket No. 4149

Dear Luly:

This office represents Constellation Energy Commodities Group, Inc. ("CCG") and Constellation NewEnergy, Inc. ("CNE") (collectively, "Constellation") in the above docketed proceeding.

Enclosed are an original and nine copies of the Testimony of Daniel Allegretti and the résumé of Daniel Allegretti.

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

Very truly yours,

Michael R. McElroy

Michael R. McElroy

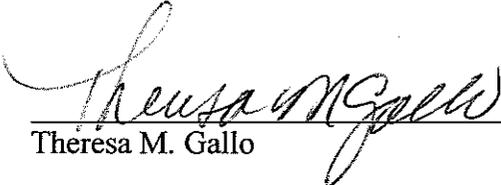
by: TMG

MRMc/tmg

cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that on the 13th day of May, 2010, I sent a true copy of the foregoing to the attached service list.



Theresa M. Gallo

Docket No. 4149 National Grid – 2011 SOS and RES Procurement Plans
 Service List updated 3/19/10

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	Cwilson@puc.state.ri.us	401-941-1691
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STATE OF RHODE ISLAND

BEFORE THE PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF NATIONAL GRID'S :
2011 STANDARD OFFER PROCUREMENT : Docket No. 4149
PLAN AND 2011 RENEWABLE ENERGY :
PROCUREMENT PLAN :**

Direct Testimony of

DANIEL W. ALLEGRETTI

On Behalf of

**CONSTELLATION NEWENERGY, INC. AND
CONSTELLATION ENERGY COMMODITIES GROUP, INC.**

May 13, 2010

STATE OF RHODE ISLAND
BEFORE THE PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF NATIONAL GRID'S :
2011 STANDARD OFFER PROCUREMENT : Docket No. 4149
PLAN AND 2011 RENEWABLE ENERGY :
PROCUREMENT PLAN :**

Direct Testimony of Daniel W. Allegretti

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Daniel Allegretti and my business address is 1 Essex Drive, Bow, New
3 Hampshire 03304.

4 **Q. PLEASE DESCRIBE YOUR POSITION WITH CONSTELLATION.**

5 **A.** I am a Vice President of Energy Policy with Constellation.

6 **Q. WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF ENERGY**
7 **POLICY FOR CONSTELLATION?**

8 **A.** I am responsible for representing Constellation's retail and wholesale commodity business
9 interests on matters related to regulatory and government affairs throughout New England,
10 New York and the Mid-Atlantic regions.

11 **Q. WHAT ARE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

12 **A.** My resume is attached as an exhibit to this testimony, as Exhibit No. 1.1.

13 **II. PURPOSE OF TESTIMONY AND CONCLUSIONS**

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 **A.** In this Direct Testimony, I address Narragansett Electric Company d/b/a National Grid's
16 ("National Grid") proposed revised Standard Offer Service ("SOS") procurement plan for

1 2011 (“2011 Plan”),¹ filed on March 1, 2010 and supplemented on March 9, 2010, as well as
2 the *Analysis of Standard Offer Service Approaches for Mass Market Customers*² (“SOS
3 Study”), prepared by The NorthBridge Group (“NorthBridge”) and filed with the
4 Commission by National Grid on January 22, 2010.

5 **Q. WHAT ARE YOUR CONCLUSIONS WITH RESPECT TO NATIONAL GRID’S**
6 **PROPOSED 2011 PLAN?**

7 **A.** Generally, I conclude that a Full Requirements Service (“FRS”) procurement structure (“FRS
8 Structure”), such as that proposed in the 2011 Plan, will best meet the needs of National
9 Grid’s SOS customers, and that Northbridge’s SOS Study provides additional and significant
10 support for a FRS Structure. However, I question the efficacy of including spot market
11 purchases from the Independent System Operator-New England by National Grid as a part of
12 the 2011 Plan, as the SOS Study does not provide support for this practice, and as spot
13 market purchases provide little benefit and significant risks to smaller consumers such as
14 those found in National Grid’s “Residential Group” and certain smaller customers in the
15 “Commercial Group.”

¹ See *2011 Standard Offer Service Procurement Plan, 2011 Renewable Energy Standard Procurement Plan*, Commission Docket No. 4149 (submitted Mar. 1, 2010) and *2011 Standard Offer Service Procurement Plan, 2011 Renewable Energy Standard Procurement Plan*, Commission Docket No. 4149 (submitted Mar. 9, 2010) (collectively, the “2011 Plan”), including *Direct Testimony of Margaret M. Janzen* (“Janzen Direct Testimony”).

² See *Standard Offer Service Procurement Plan Compliance Filing*, Commission Docket No. 4041 (submitted Jan. 22, 2010) (“January Compliance Filing”) at Exhibit A, *Analysis of Standard Offer Service Approaches for Mass Market Customers* (“SOS Study”).

1 **III. DIRECT TESTIMONY**

2 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION**
3 **REGARDING THE ISSUES PRESENTED IN THIS PROCEEDING?**

4 **A.** Generally, yes. I provided written rebuttal testimony in Docket No. 4041 on August 14,
5 2009,³ and appeared for cross examination before the Commission in the same proceeding.
6 In that proceeding, I provided an analysis of National Grid's proposed revised SOS
7 procurement plan for 2010.

8 **Q. CAN YOU PLEASE RECAP BRIEFLY YOUR CONCLUSIONS IN DOCKET NO.**
9 **4041 REGARDING THE APPROPRIATE STRUCTURE FOR PROCURING**
10 **NATIONAL GRID'S SOS OBLIGATIONS?**

11 **A.** Certainly. In Docket No. 4041, I provided a thorough explanation regarding the benefits of
12 FRS products. I explained that FRS products relieve utilities such as National Grid from
13 active load, weather and market volatility management responsibility and, in turn, relieve
14 such utilities and their customers from risk management exposure. FRS products more
15 effectively eliminate the uncertainty associated with fuel, availability, volumetric and spot
16 price risks that are inherent in managing load supply. These FRS products have the added
17 benefit of avoiding after-the-fact reviews that may question the effectiveness or
18 reasonableness of hedges necessary to limit risk. Furthermore, potential bidders are
19 interested in well-defined FRS products and are comfortable with pricing such products
20 through competitive processes such as the procurements in the FRS Structure.

21 In Docket No. 4041, I concluded that a FRS Structure relying largely on FRS products
22 would most effectively and best meet National Grid's SOS customers' needs. Moreover, I

³ See Joint Rebuttal Testimony of Timothy Daniels and Daniel Allegretti on Behalf of Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc., Commission Docket No. 4041 (submitted Aug. 14, 2009).

1 recommended that it is best to rely on such FRS products to allocate to wholesale suppliers –
2 rather than National Grid and, in turn, its SOS consumers – the risks and responsibilities
3 associated with portfolio management. In that proceeding, I cited to a study by the Analysis
4 Group, a well-respected energy and economic consulting firm, which states succinctly that:

5 It is the experienced participants in wholesale markets who take on the tasks
6 of developing a portfolio of resources, making physical arrangements to lock-
7 in certain supply, arranging for transmission of the supplies, making financial
8 arrangements to hedge their financial and price risk, and offering to sell at a
9 fixed price offer in competition with other suppliers.⁴

10 In this way, wholesale suppliers who submit bids in a FRS Structure's procurements are in
11 the best positions and are best equipped to bear such risks and responsibilities.

12 **Q. DO YOU CONTINUE TO SUPPORT THE USE OF A FRS STRUCTURE TO MEET**
13 **NATIONAL GRID'S CUSTOMERS' SOS REQUIREMENTS?**

14 **A.** Yes. For all of the reasons I explained in Docket No. 4041, I continue to support a FRS
15 Structure for National Grid.

16 **Q. HAS THERE BEEN ADDITIONAL EVIDENCE PROVIDED TO THE**
17 **COMMISSION THAT SUPPORTS YOUR POSITION IN FAVOR OF A FRS**
18 **STRUCTURE?**

19 **A.** Absolutely. The NorthBridge SOS Study – filed by National Grid in compliance with
20 directions from the Commission in Docket No. 4041 – provides significant and well-
21 developed analytical support for the use of a FRS Structure to meet National Grid's SOS
22 supply requirements. The NorthBridge SOS Study finds that, in comparison to other
23 approaches, a FRS Structure: results in lower risks allocated to customers, lower supply cost
24 surprises and minimal deferral account balances; reduces the potential effects of additional

⁴ See *Pennsylvania's Electric Power Future: Trends and Guiding Principles*, Susan F. Tierney, Ph.D., Analysis Group (2008) ("Analysis Group Study").

1 costs and risks that NorthBridge did not model; and will require lower internal resources
2 from National Grid to implement.⁵ The SOS Study finds that the FRS Structure provides all
3 of these benefits, while resulting in only a minimally higher expected rate level for
4 consumers.⁶

5 **Q. WHY DO YOU BELIEVE THAT THE SOS STUDY PROVIDES “SIGNIFICANT**
6 **AND WELL-DEVELOPED ANALYTICAL SUPPORT” FOR A FRS STRUCTURE?**

7 **A.** National Grid states well the reasons why the findings of the SOS Study provide strong
8 support for the use of a FRS Structure. National Grid explains that:

9 the NorthBridge analysis is based on actual market data, rather than
10 conjecture about the relative merits of various procurement approaches;
11 therefore, it represents empirical evidence of the relative benefits of
12 different procurement approaches. Furthermore, the analysis involves a
13 comparison of [SOS] approaches against several metrics that pertain to
14 various objectives with respect to [SOS], and therefore allows for an
15 assessment of the tradeoffs with respect to key objectives, such as rate
16 stability and low rate level.⁷

17 **Q. DO YOU HAVE ANY CONCERNS WITH THE PARTICULAR WAY IN WHICH**
18 **NATIONAL GRID PROPOSES TO IMPLEMENT A FRS STRUCTURE IN ITS 2011**
19 **PLAN?**

20 **A.** Yes. The Northbridge SOS Study seems to support the use of a 100 percent FRS Structure,
21 because of all of the benefits I have summarized above, which bolster the substantial reasons
22 for supporting a FRS Structure in Docket No. 4041. However, National Grid proposes to
23 pursue an approach in which only 90 percent of its Residential and Commercial Customer
24 SOS load is procured through the FRS Structure, leaving 10 percent to be purchased by

⁵ See SOS Study at p.20.

⁶ See SOS Study at p.13 (illustrating that a FRS Structure results in an expected SOS rate of only \$2.93/MWh more than the least expensive, 100% spot approach) and p.15 (explaining that the FRS Structure results in an expected SOS rate of only \$0.72/MWh more than the alternative, “managed portfolio” approach).

⁷ January Compliance Filing at p.3.

1 National Grid in the ISO-NE spot markets. Based on my experience and review of the
2 NorthBridge SOS Study, I see no reason to steer away from a structure that meets 100
3 percent of smaller customers' SOS supply requirements through FRS products.

4 **Q. PLEASE EXPLAIN YOUR CONCERNS WITH RESPECT TO THE USE OF SOME**
5 **PERCENTAGE OF SPOT MARKET PURCHASES TO MEET SMALL**
6 **CUSTOMERS' SOS SUPPLY NEEDS.**

7 **A.** It is my experience that smaller customers tend not to prefer the volatility that comes along
8 with spot market purchases. Moreover, National Grid has not provided a compelling reason
9 to inject the risks inherent in purchasing 10 percent of SOS supply for these customers
10 through the spot market – risks that are not prevalent in the FRS Structure, and which are not
11 palatable and as easily managed by such smaller customers. While National Grid states that
12 making such spot market purchases will be “effective in continuing to keep [National Grid]
13 engaged in the energy markets for the Rhode Island zone within the ISO-NE,” it has not
14 explained and I see no reason why it is important for National Grid to stay engaged in this
15 way, or that there are not other methods – less risky to consumers – that National Grid can
16 pursue this company goal.⁸

17 In addition, as a back-stop service, SOS should be fashioned as a plain-vanilla, low risk
18 product. In the spirit of retail competition, rather than forcing customers to assume certain
19 risks such as increases in volatility, the Commission should allow customers to choose to
20 assume or manage risks for themselves. Those customers that place a low value on price
21 stability, for instance, can leave a lower-risk, more stable-priced SOS, and instead choose a
22 more volatile supply option from a competitive retail supplier.

⁸ Janzen Direct Testimony at p.12 (lines 13-15).

1 **Q. WHAT, THEN, IS YOUR RECOMMENDATION WITH RESPECT TO THIS**
2 **ASPECT OF NATIONAL GRID'S PROPOSED 2011 PLAN?**

3 A. The Commission should reject National Grid's proposal to meet 10 percent of its SOS
4 requirements for smaller customers through spot market purchases, and should instead
5 instruct National Grid to purchase 100 percent of such obligations through the types of FRS
6 products proposed in its 2011 Plan. In the alternative, if the Commission determines that
7 there exists compelling evidence in the record to support the use of spot market purchases to
8 meet a portion of smaller customers' SOS requirements, then such percentage should be set
9 at *no more than five percent*, so as to limit the amount of volatility that such smaller
10 customers experience due to changes in spot market prices.

11 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

12 A. Yes.

EXHIBIT 1.1

RESUME OF DANIEL W. ALLEGRETTI

Daniel W. Allegretti
One Essex Drive
Bow, New Hampshire
(603) 224-9653

Experience

2002-Present - Constellation Energy Resources, LLC
Baltimore, Maryland
Vice President Energy Policy

- Advocate, testify and generally represent the interests of the company before federal, state and provincial agencies, executive departments and legislative bodies, and within regional transmission organizations, throughout the Northeastern United States and Eastern Canada.
- Supervised a staff of six professionals who advocate and represent company interests under my direction across the Eastern Seaboard region.
- Provide direct business support to internal teams who originate new business transactions or who manage an active portfolio in support of existing business.
- Maintain and expand a network of contacts and relationships within industry and government to support regulatory and legislative advocacy and information gathering.

2008-2009 – Anbaric Northeast Transmission Development Company, LLC, Wakefield, MA
Senior Vice President

- Conceived, developed and promoted multi-billion dollar independent transmission projects in the Northeastern United States and Canada.
- Represented Anbaric before state, federal and provincial governmental entities and before non-profit and industry organizations.

1996-2001 - Enron Corp., Houston, TX
Director, Government Affairs

- Advocated on behalf of industry-leading company before state utility commissions, executive departments and state legislatures during the critical transformation from regulated monopoly electric

service to competitive wholesale and retail electricity markets in New England.

- Represented company within the New England Power Pool organization during the development of a region-wide transmission tariff, organized wholesale electricity markets and creation of an independent system operator. Provided leadership in the reform of NEPOOL governance to include all industry sectors and was elected NEPOOL chairman in 2000.
- Provided direct business support to wholesale business origination, retail sales and wholesale power marketing and trading businesses.

**1989-1995 - Brown, Olson & Wilson, Concord, NH
Attorney**

- Represented independent power developers, municipal governments and energy trading companies before state and federal agencies and courts and in contract and settlement negotiations.
- Conducted research, met with clients and prepared, filed or submitted a variety of legal memoranda, briefs, contract documents and consulting reports.

Education

1985-1988 - Georgetown University Law Center, Washington, D.C.

- Completed *juris doctor* degree
- Completed internships with U.S. International Trade Commissioner, U.S. Court of Appeals judge and U.S. Senator
- Admitted to the bar in DC, MA and NH

1981-1985 - Colby College, Waterville, Maine

- B.A., Economics, French (*cum laude*, phi beta kappa)

Honors/Positions

- New England Power Pool
 - Chairman Nepool Participants Committee (2001 & 2002)
 - Chairman Nepool Budget & Finance Subcommittee (2005)
 - NEPOOL Supplier Sector elected representative (1996-2006)
 - Chair of various *ad hoc* Nepool committees and working groups (1996-2005)
- Board of Directors, Northeast Power Coordinating Council (2001-2008)
- Board of Directors Independent Power Producers of New York (2002-2008)

- Board of Directors, Electric Power Generators Association of Pennsylvania (2008)
- Board of Directors, Northeast Energy & Commerce Association (2009-2010)
- Management Committee, New York Independent System Operator (2002-2005)
- Maine Energy Advisory Council (appointed by Governor in 2006)
- Ontario Independent Electric System Operator, Market Advisory Council (2002-2005)
- Ontario Electric Markets Investment Group, governing body (2002-2005)