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April 15, 2011

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

Re: National Grid
Docket No. 4206

Dear Luly:

As you know, this office represents The Energy Council of Rhode Island (TEC-RI).

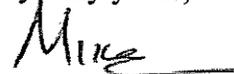
Enclosed for filing in this matter are the following:

1. Objection of TEC-RI to NGrid's motion to transfer backup rates testimony.
2. Testimony of William H. Ferguson, Executive Director of TEC-RI, in support of this Objection.

An original and 11 copies of this Objection are enclosed.

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

Very truly yours,



Michael R. McElroy

MRMc:tmg
cc: Service list
TecRI/4206/Massar06

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID'S REVENUE :
DECOUPLING MECHANISM PROPOSAL : DOCKET NO. 4206

OBJECTION OF THE ENERGY COUNCIL OF RHODE ISLAND (TEC-RI) TO NATIONAL
GRID'S MOTION TO TRANSFER BACKUP RATES TESTIMONY

Now comes The Energy Council of Rhode Island (TEC-RI) and objects to National Grid's Motion to transfer the backup rates testimony of William H. Ferguson, Executive Director of TEC-RI, which has already been submitted in Docket No. 4206, to Docket No. 4232. The reasons supporting this objection are set forth in detail in the attached testimony of William H. Ferguson in support of TEC-RI's objection to NGrid's Motion to transfer backup rates testimony, which is incorporated by reference herein.

In summary, TEC-RI has already filed its testimony in Docket No. 4206 relating to the issue of backup rates. TEC-RI has recommended that backup rates be eliminated. If backup rates are eliminated, there will be a loss of approximately \$250,393 that will need to be recovered. The revenue decoupling mechanism (RDM) appears to TEC-RI to be the appropriate method for recovery of this small amount of lost revenue (in the context of NGrid's overall revenues). It would be an unnecessary burden on TEC-RI for it to have to simultaneously participate in both Docket No. 4206 dealing with the RDM and a separate Docket No. 4232 dealing solely with the issue of backup rates, especially in light of the minimal economic effect of backup rates on NGrid's overall revenues.

For the foregoing reasons, and the reasons set forth in more detail in the testimony of William H. Ferguson, TEC-RI accordingly respectfully objects to the Motion of NGrid to

transfer the previously filed testimony of William H. Ferguson in this docket to Docket No. 4232 and requests that the Motion be denied.

Respectfully submitted,
THE ENERGY COUNCIL OF RHODE ISLAND
By its attorney

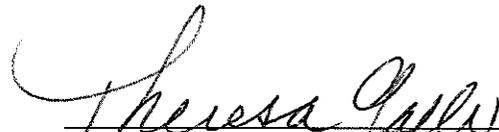
Dated: April 15, 2011



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CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of April, 2011, I sent a true copy of the foregoing to:



Theresa Gallo

**Docket No. 4206 - National Grid (NGrid) – Revenue Decoupling Mechanism Filing
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1 STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

2 RHODE ISLAND PUBLIC UTILITIES COMMISSION

3 Docket No. 4206

4 Testimony of William H. Ferguson in Support of Tec-RI's

5 Objection to National Grid's Motion to Transfer Backup Rates Testimony

6
7 **Q. Please identify yourself.**

8 A. My name is William H. Ferguson. I am the Executive Director of The Energy Council of Rhode Island
9 (TEC-RI), 436 Armistice Blvd., Pawtucket, RI 02861.

10
11 **Purpose**

12 **Q. What is the purpose of TEC-RI's Motion to dismiss?**

13 A. On April 5, 2011 National Grid asked the Commission to transfer my previously filed testimony in this
14 docket dealing with backup rates to a new docket for the review of the use of backup Rates (Docket
15 4232). Although we understand that the Clerk assigned Docket No. 4232 to this petition, we also
16 understand that the Commission never ruled on opening the docket at an Open Meeting. TEC-RI has
17 requested that docket 4232 be closed, and that backup rates be addressed in docket 4206, the
18 decoupling docket.

19
20 **Q. What are TEC-RI's reasons for objecting to National Grid's motion and asking that TEC-RI's**
21 **testimony remain in docket 4206?**

22 A. TEC-RI has several reasons for requesting that the Commission deny National Grid's motion to
23 transfer my testimony to docket 4232. One reason is that revenues from backup rates in 2010 were de
24 minimis and can be easily recovered through the RDM under docket 4206, the decoupling docket. In
25 TEC -2-3, docket 4206, National Grid reported only \$250,393 in demand charge revenue from back up

1 rates in 2010. To recover this from a typical residential customer, it would amount to only 1.6 cents per
 2 month, using the RDM proposed by National Grid in 4206. For comparison purposes, the table below
 3 shows how small this charge is relative to some other electricity charges.

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11 **Impact of various charges on a Typical Residential Customer**

CHARGE	\$/kWh	Total Cost per month
Transmission Charge	0.01569	\$ 7.845
Dem Side Mgmt Chg	0.0056	\$ 2.800
New Shoreham Wind (Proposal)	0.0026	\$ 1.300
Renewable Energy Chg	0.00123	\$ 0.620
2012 ISR Plan	0.00051	\$ 0.270
30 MW of Back up charges	0.000128	\$ 0.064
2010 Back up Revenues	0.000032	\$ 0.016

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24 * A residential customer using 500kWh per month.

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28 **Q. Is Distributed Generation (DG) already included in the decoupling filing by National Grid?**

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30 A. Yes, but National Grid only partially addressed the decoupling of DG. Decoupling as already designed
31 and proposed by National Grid, will recover revenues due to the loss of energy sales from DG projects.

32 In fact, DG will be indistinguishable from energy efficiency under the current RDM design with the
33 exception of demand reductions. Energy efficiency and distributed generation have the same types of
34 impacts on revenues. They both reduce revenues by reducing energy use and demand. Under
35 decoupling, reductions in revenues due to reductions in energy use will be treated the same whether it
36 is due to efficiency or distributed generation. In order to complete their decoupling rate design for DG
37 they need to address demand sales for DG as they already have for energy efficiency.

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Q. But aren't demand reductions from DG much greater than from energy efficiency?

A. Not according to data provided by National Grid. Their own data shows that demand reductions from energy efficiency programs far exceed demand reductions from distributed generation.

- Energy Efficiency programs approved by the Commission for the period 2008 through 2011 include 45 MW of demand reduction.
- Future demand reductions from energy efficiency programs will be significant. Energy Efficiency targets developed by the EERMC for the periods 2012 through 2014 include 84 MW in demand reduction.
- By comparison, the backup services customers reported by National Grid in TEC-RI 3-1, docket 4206, totaled 11.65 MW. In addition, National Grid reports in TEC-RI 3-2 that they also have 7.7 MW on the system not paying backup rates (these are renewable projects under the Amended Stipulation and Settlement, October 7, 2004 in docket 3617).

Q. Is there any reason to expect that there will be a dramatic increase in the number of DG projects?

A. No, there does not seem to be a reason to expect a dramatic increase. Note that it took six years to reach 7.7 MW in renewable energy generation even without back up rates. Also, R.I.G.L. 39-26-6 places a cap of 2% of peak load on all renewable energy projects under net metering (approximately 38 MW). According to National Grid's response to TEC-RI 3-3 there were no incentives provided for CHP projects in 2010 under the DSM incentive programs. As previously mentioned, there are only 11.65 MW on the system that are included under backup rates. With standard offer service at nearly record lows, it is hard to imagine a dramatic increase in DG projects even if backup rates were eliminated. The total of 19.35 MW on the system is a paltry amount and points to the need for a change in our DG policy. RDM is a proper place to do that.

1 **Q. Is National Grid required to address DG under the decoupling act?**

2 A. Yes. The Decoupling Act requires National Grid to address distributed generation in their RDM filing.
3 R.I.G.L 39-1-27.7.1 paragraph (a) the Act, "finds and declares that any decoupling proposal
4 submitted by an electric distribution company....shall be for the following purposes:...(2) Achieving the
5 goals established in the electric distribution company's plan for system reliability and energy efficiency
6 and conservation procurement as required pursuant to subsection 39-1-27.7(c)."

7 National Grid's failure to completely address DG in its filing under 4206 left a gap in their filing that
8 would not require a separate docket if it were addressed properly.

9

10 **Q. Are there any other requirements of the decoupling act that National Grid failed to observe in their**
11 **filing under 4206?**

12 A. Yes. The first paragraph of the Act states that, "the general assembly finds and declares that
13 electricity and gas revenues shall be fully decoupled from sales pursuant to the provisions of this
14 chapter..." Based on this statement in State law, sales lost through DG should not be recovered through
15 a back up charge, which is another sales charge. They should be recovered through an RDM.

16 Addressing energy and demand sales for efficiency in the RDM but not for DG fully decouples one but
17 not the other. In their testimony under 4206 National Grid acknowledges that the backup charge is
18 sales. On page 8 line 10 of Jeanne A. Lloyd's direct testimony she defines billed distribution revenue
19 (sales) as follows:

20 **"Billed distribution revenue would consist of revenue generated from the Company's base**
21 **distribution rates, such as customer charges, distribution energy charges, distribution demand**
22 **charges, high voltage delivery metering and delivery credits under the Company's general**
23 **service rate classes, and luminaries and pole charges under the Company's street lighting**
24 **rates. Essentially, billed distribution revenue would be the equivalent of the revenue that**
25 **would support the Company's base distribution requirement."**

26 Back up rates are listed as distribution demand charges in their electricity rate tariff and, in their own
27 words, National Grid has included them in their definition of sales. Under decoupling, sales cannot be

1 recovered through another form of sales. It has to be done through an RDM. TEC-RI does not believe
2 that National Grid should be permitted to address this oversight in a new docket. This should have been
3 addressed in their filing under 4206 and they should be required to respond accordingly under 4206.

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5 **Q. Does National Grid give any other reasons for asking that your testimony be transferred in addition**
6 **to correcting the two oversights that you previously mentioned?**

7 A. Yes. Unfortunately it is to correct another oversight by National Grid. In their March 17, 2011 petition
8 National Grid indicates that it may be useful to open a new docket to address the Second Amended
9 Stipulation and Settlement since the limit on the exemption has been exceeded (by 250% according to
10 their response to TEC-RI 3-2). Although National Grid may have been remiss in not acting on this
11 sooner, we do not think that it rises to the level where a new, separate docket is necessary. In fact, if
12 backup rates are eliminated as TEC-RI suggests, the exemption limit becomes moot.

13
14 **Q. Does TEC-RI have any other reasons for the objection to National Grid's motion to transfer your**
15 **testimony?**

16 A. Yes. There are two additional reasons that TEC-RI would like to mention.

17 1. There has already been much discovery and written testimony prepared on the subject of
18 back up rates under docket 4206 that can be used in the conduct of docket 4206.

19 2. Backup rates have been eliminated in National Grid's Massachusetts service area since 1999.
20 This demonstrates that simply eliminating backup rates under decoupling is a viable solution
21 and that National Grid has ample experience to draw on to develop a good plan.

22
23 **Q. Do you have any additional comments relative to the dismissal of National Grid's motion to**
24 **transfer your testimony?**

1 A. Yes. Given all of these considerations, TEC-RI does not believe it to be prudent or necessary, nor will it
2 result in a better decision, to conduct a separate docket for backup rates. Backup rates are a narrow
3 and limited issue that is best addressed in the context of decoupling, not as an isolated issue.

4
5 It is clear that National Grid is reticent to even make a recommendation about backup rates. The
6 wording in their petition for a new docket underscores this, "backup rates necessarily would involve a
7 policy determination". Also, "In light of the Commission's expressed decision to open a docket to
8 address backup rates, the Company has not, to date, sought clarification on whether the tariff's 3 MW
9 limitation should be continued." Just because National Grid wants to avoid taking a position on
10 backup rates does not mean that it makes sense or is somehow better to move the backup rate issue
11 into a new, expensive docket. TEC-RI has limited funds and would be hard pressed to fully participate in
12 both dockets. Backup rates are a narrow and limited issue. They do not require a separate docket. TEC-
13 RI would not object to an extension of time on the current 4206 docket schedule for National Grid and
14 other parties to regroup if necessary.

15

16 **Q. Do you have any final comments?**

17 A. Yes. TEC-RI asks the Commission to be mindful of the costs to intervene in each docket and the effect
18 this may have on participation. Not everyone has the resources that National Grid has to simultaneously
19 participate in multiple dockets on a routine basis.

20

21 **Q. Does this conclude your testimony?**

22 A. Yes.