

May 3, 2011

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02889

**RE: Docket 4232 - Review of the Use of Backup Rates  
Responses to Commission Data Requests – Set 1**

Dear Ms. Massaro:

On behalf of National Grid<sup>1</sup> enclosed are ten (10) copies of the Company's responses to the Commission's First Set of Data Requests issued in the above-captioned proceeding.

Thank you for your attention to this transmission. If you have any questions please feel free to contact me at (401)784-7667.

Very truly yours,



Thomas R. Teehan

cc: Docket 4232 Service List  
Leo Wold, Esq.  
Steve Scialabba, Division

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("National Grid" or the Narragansett Electric Company").

### Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted and sent via U.S. Mail to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission.



May 3, 2011

Joanne M. Scanlon  
National Grid

Date

**Docket No. 4232 - National Grid (NGrid) – Review of the Use of Backup Rates  
Service List as of 4/26/11**

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<b>File original &amp; 11 copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Lmassaro@puc.state.ri.us">Lmassaro@puc.state.ri.us</a>	401-780-2107 401-941-1691
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Commission 1-1

Request:

Please respond directly to the following claims made by other parties stating whether or not you agree and why.

- a. Back-up rates can be efficiently and effectively investigated in docket 4206.<sup>1</sup>
- b. Back-up rates are a narrow and limited issue...[and] do not require a separate docket.<sup>2</sup>
- c. Revenues from backup rates in 2010 were de minimus and can be easily recovered through the RDM under docket 4206.<sup>3</sup>

Response:

- a. The Company disagrees. See the answer to b and c below.
- b. Back-up rates are not a narrow and limited issue. Rather, they involve not only a policy decision that implicates all rate classes, but also consideration of many factors that are specified by statute. First, the Commission must consider the provisions of R.I.G.L. 39-2-1.4 which requires that back-up service rates be cost based, but allows the Commission to permit or require discounted backup distribution service rates in order to encourage economically efficient cogeneration or small power production projects if it finds these discounts to be in the public interest and/or contribute to system reliability procurement or least-cost procurement. In determining the public interest in distributed generating facilities, the Commission must consider reduced environmental impacts, increased energy efficiency, reduced transmission losses and congestion, effects on electric system reliability and other factors the Commission may deem relevant. The analysis contemplated by this statute is beyond the scope of the RDM docket.

Second, to the extent back-up rates are eliminated, it can affect the design of rates for all rate classes and cause cross subsidies. In that regard, the Company believes it would be very important for the Commission to evaluate the results of the Company's last allocated

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<sup>1</sup> 04/25/11 Letter of Jeremy C. McDiarmid to the Commission, p.1.

<sup>2</sup> Testimony of William H. Ferguson in Support of TEC-RI's Motion to Dismiss National Grid's Backup Rate Petition, p.6.

<sup>3</sup> Testimony of William H. Ferguson in Support of TEC-RI's Motion to Dismiss National Grid's Backup Rate Petition, p.1.

Commission 1-1 (continued)

cost of service study and how it would change as a result of eliminating the billing units associated with back-up service customers and rate year revenues generated from back-up rates. Such a review is not appropriate in the context of the case whose statutorily-required purpose is simply to approve the RDM mechanism. Approval of the RDM has nothing to do with the elimination of back up rates.

- c. While revenue from back-up rates was small compared to all revenue billed by the Company and could be recovered through the RDM, this statement focuses on the historic experience associated with back-up rates and not the wider issues and potential growth of customer-owned, on-site generation. While historically the revenue generated from back-up rates was modest, there is potential that there could be real growth in customer-owned generation. As on-site generation increases, with the elimination of back-up rates, so does the subsidy that must be borne by other customers. This subsidy issue must be addressed, and therefore implicates the design of rates generally. There are policy decisions that transcend the RDM docket. The first relates to whether the elimination of back-up rates achieves energy policy objectives. For instance, the Commission may choose to approve the elimination of back-up rates based on technology and thus for example approve elimination of backup rates for all types of distributed generation or only for renewable distributed generation. The second is whether the cross-subsidies that result from the elimination of back-up rates are acceptable. The third relates to how revenue losses should be recovered in rates. See the response to b. above.

The Narragansett Electric Company  
d/b/a National Grid  
Docket No. 4232  
Petition for Review of the Use of BackUp Rates  
Responses to Commission's First Set of Data Requests  
Issued April 26, 2011

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Commission 1-2

Request:

Referring to page 2 of the Company's Petition for Review of the Use of Backup Rates, when was the 3 MW exemption from back-up rates exceeded? Please provide a date, if known.

Response:

The 3MW exemption threshold was exceeded in October 2009.

The Narragansett Electric Company  
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Commission 1-3

Request:

Hypothetically speaking, if the Commission were to eliminate back-up rates after a decision is rendered in the decoupling docket, would this require the Company to file an interim rate adjustment before the anticipated filing on June 1, 2012, or would it otherwise change or modify the filing schedule set forth in the Company's RDM proposal? If yes, please explain specifically how the filing schedule in the current RDM proposal would need to be changed or modified.

Response:

Should the Commission approve the proposed RDM as filed, the Company does not anticipate that it would need to file an interim rate adjustment before the anticipated filing on June 1, 2012, due solely to the loss of revenue contributed by the back-up service charges, nor would the Company modify the filing schedule set forth by the Company's RDM proposal.