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May 6, 2011

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

Re: National Grid Backup Rate Petition  
Docket No. 4232

Dear Luly:

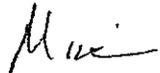
As you know, this office represents The Energy Council of Rhode Island (TEC-RI).

I understand that at an open meeting held on May 5, 2011, the Commission denied TEC-RI's motion to dismiss the subject docket and ordered that the testimony of William H. Ferguson, Executive Director of TEC-RI, filed in Docket 4206 on March 17, 2011, will be transferred to Docket 4232.

Therefore, for your convenience and the convenience of the parties, I am filing Mr. Ferguson's testimony from Docket 4206 in this Docket. An original and 12 copies are enclosed.

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

Very truly yours,

  
Michael R. McElroy

MRMc:tmg  
cc: Service List – Docket 4206  
Service List – Docket 4232

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RI PUC Docket #4206

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**Direct Testimony**

8

**Of**

9

**William H. Ferguson**

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**For**

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**The Energy Council of Rhode Island (TEC-RI)**

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**March 17, 2011**

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1 **TESTIMONY OF WILLIAM H. FERGUSON, EXECUTIVE DIRECTOR, TEC-RI**

2 **Q. Please identify yourself.**

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

5

6 **Q. Please identify TEC-RI.**

7 A. TEC-RI is a non-profit energy consortium made up of many of the largest commercial and industrial  
8 users of energy in Rhode Island. TEC-RI's objective is to lower the cost of energy and provide a better  
9 economic environment for businesses and jobs in Rhode Island while at the same time preserving  
10 environmental quality and reliable supply.

11

12

#### Qualifications

13 **Q. What is your work background?**

14 A. I have 31 years of service with the State of Rhode Island working in the State Energy Office and as  
15 Statewide Energy Conservation Officer for 16 years and in the Division of Facilities Management for 15  
16 years. During my employment with the State I have served as Deputy Director of the State Energy  
17 Office, Chief of Property Management, Associate Director of the Division of Facilities Management  
18 and Deputy Commissioner of Energy Efficiency in the Office of Energy Resources. In these capacities I  
19 worked on projects to reduce energy costs to the State through energy purchasing, energy efficiency,  
20 development of ESCo projects, conversion of the State Fleet to CNG, participation in the utility DSM  
21 programs and overall facilities operation and maintenance.

22 I have also worked at RISE Engineering as manager of gas efficiency programs for the past three years.

23

24 **Q. What is your educational background?**

25 A. I have a Bachelor of Science Degree in Geography and Earth Science from Bridgewater State College in  
26 Massachusetts and a Masters Degree in Community Planning from URI.

1

2 **Q. Do you have any other qualifications?**

3 A. I am a Certified Energy Manager (certification # 14299) with the Association of Energy Engineers and  
4 a LEED Accredited Professional with the US Green Building Council.

5

6

**Purpose**

7

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to state and explain TEC-RI's position on two points.

10

11 **Q. Could you state these two points?**

12 A. The two points are as follows:

13 1. TEC-RI supports National Grid's proposal to exempt Large and Extra Large rate classes from  
14 the gas RDM.

15 2. TEC-RI proposes the elimination of back-up rates through the RDM.

16

17

**Exempt Large and Extra Large Users from Gas RDM**

18 **Q. Could you explain TEC-RI's position relative to your first point, the exemption of large and extra  
19 large gas customers from the RDM?**

20 A. TEC-RI shares the same concerns expressed by National Grid. These concerns are as follows:

21 There are small numbers of customers in these four rate classes (Large Low Load, Large High Load,  
22 Extra Large Low Load and Extra Large High Load) and a large range of use. In view of this, average  
23 revenue per customer could change significantly in each of the four Large/Extra Large rate classes due to  
24 changes in use associated with just a few customers and unrelated to energy efficiency.

25

26 Using information provided in National Grid's response to DIV 1-6 it is apparent that there is a clear and

1 dramatic change in the number of customers and the distribution of gas use among those customers  
2 when comparing the Residential, Small and Medium Commercial rate classes with the four Large and  
3 Extra Large rate classes. For example:

- 4 • In the Extra Large High Load class, there are 68 total customers and only 6 customers account  
5 for 52% of therms used.
- 6 • In the Extra Large Low Load class, there are 24 customers and one customer accounts for 35% of  
7 use and three customers account for 51% of therms used.
- 8 • For Large High Load customers, 7 of the 140 customers account for 10% of use,
- 9 • In the Large Low Load class, 21 of the 358 customers represent 12 % of the therms used.

10  
11

12 This can be compared to the Medium rate class where there are 3,371 customers and the total use of  
13 the largest 133 customers in this class equal only 10% of the total use of this rate class. The number of  
14 customers in the remaining rate classes is as follows:

- 15 • Residential Non-Heat, 27,000,
- 16 • Residential Heat, 194,000.
- 17 • Small C&I, 17,000.

18

19 I also note that the Medium rate class ranges from 5,000 therms to 35,000 therms use per year. By  
20 comparison, the Large class ranges from 35,000 therms to 150,000 therms per year and the Extra Large  
21 class is anything over 150,000 therms per year. Given these use ranges in the customer classes it is easy  
22 to see why fewer customers could have a greater effect on average use within the Large and Extra Large  
23 rate classes.

24

25 To illustrate this point I refer to the Extra Large Low Load rate class. If the largest customer were to  
26 leave that rate class or go out of business the average use of the rate class would decrease by 35%. The  
27 average use in the rate class would drop from 413,954 therms per customer to 269,124 therms per  
28 customer.

29

1 As I illustrated in the previous paragraph, changes in use by just a few customers could have significant  
2 impacts on RPC. These changes in use could occur for several reasons including: migration  
3 between rate classes, fuel switching and the closing or relocation of a business, which is an unfortunate  
4 but real concern in this economy. None of these reasons are included in the eight purposes for the  
5 RDM listed in the Decoupling Act (R.I.G.L. 39-1-27.7.1). Due to the characteristics of these four Large and  
6 Extra Large rate classes, as previously described, it is likely that the RDM could be used to compensate  
7 National Grid for reductions in gas sales for reasons other than those enumerated in the Decoupling  
8 Act. This would be an improper application of RDM and not the intent of the law.

9

10 **Q. Do you have any other reasons for exempting the Large and Extra Large users from the gas RDM?**

11 A. Yes I do. I also agree with National Grid's concern relative to the effect of the RDM on the CIAC  
12 (Contribution in Aid of Construction) for Large and Extra Large rate classes as stated on Page 14-16 of its  
13 Joint Testimony and its response to DIV 1-13(d). With the RDM there does not seem to be much if any  
14 basis for the company to assist in expanding service for existing customers because any increase in  
15 revenue for existing customers would be returned to customers through the RDM adjustment and  
16 would not be used to help to defray the cost of expanded gas service. This would likely have its  
17 greatest impact relative to larger customers in a rate class where the potential for load growth would  
18 be greatest but also the most costly to upgrade gas service. Without the assistance of National Grid in  
19 defraying costs of service upgrades through the CIAC the ability of customers to switch to cheaper and  
20 cleaner gas would be hampered. This would be detrimental to the expansion of existing businesses as  
21 well as adding new businesses to the system and for the creation and retaining of jobs. In summary, this  
22 is bad for economic development and has bad environmental consequences. The RDM should not be  
23 used to take away options from businesses who are trying to survive in this economic downturn by  
24 switching to a cheaper and cleaner fuel option.

25

1 Q. Does the State law permit this exemption of Large and Extra Large gas customers?

2 A. Yes. R.I.G.L 39-1-2.7.1 (e) (2) specifically allows the commission to exclude gas customers in the large  
3 commercial and industrial rate classes from the RDM.

4

5 Q. Do you have any other comments about this point?

6 A. No

7

8

### Elimination of Back Up Rates

9 Q. Could you explain TEC-RI's position relative to your second point, the elimination of back-up rates?

10 A. Decoupling, as already designed and proposed, will recover revenues due to the loss of energy sales  
11 from Distributed Generation (DG) projects (self generation). In fact, DG will be indistinguishable from  
12 energy efficiency under the current RDM design with the exception of back up rates.

13

14 With the proposed RDM, even though the disincentive to DG has been removed for the utility, there is  
15 still a disincentive in place for the customer related to sales that should be removed through the RDM.

16 This is the back up rate under the National Grid Electric tariff. Our recommendation is to  
17 eliminate backup rates and use the RDM Adjustment Factor under decoupling to recover revenues lost  
18 due to the elimination of backup rates just as it does the revenues lost due to reductions in demand  
19 sales revenues for energy efficiency. Furthermore, we recommend that DG customers are  
20 only charged for actual use of the distribution system at peak hours and that use for scheduled and  
21 unscheduled maintenance not be subject to the demand ratchet clause.

22

23 Q. Can you explain how back up rates work?

24 A. Yes. If a DG (distributed generation) project of over 30 KW is installed by a customer, the customer  
25 goes on back up rates. Under these rates the customer pays for its new lower level of demand plus the

1 amount of the reduction. In other words, the customer pays for its former level of demand even though  
2 the customer made an investment to save energy and energy costs which results in a reduction in actual  
3 demand.

4

5 **Q. If a customer reduced its demand by the same amount due to energy efficiency as it did through**  
6 **DG would the customer also pay back up rates?**

7 A. No. If the customer reduces demand through energy efficiency by the same amount as it did through  
8 DG the customer would only pay for its actual new lower level of demand. The customer would not be  
9 charged back up rates for the reduction in demand.

10

11 **Q. If a customer reduced its demand due to cut backs in production will it have to pay back up rates?**

12 A. No. As with energy efficiency, if a customer reduced its demand due to production cut backs it would  
13 only have to pay for its actual new levels of demand. The customer would not have to pay back up  
14 rates for the reduction in demand.

15

16 **Q. Can you give an example to illustrate this point?**

17 A. Yes. Let's say a customer has a demand of 5,000 KW and it reduces it to 3,000 KW. If the customer  
18 did it through energy efficiency or due to production cut backs it would pay for 3,000 KW of demand.  
19 If the customer did it by investing in a 2,000 KW generating unit to generate his own power he would  
20 still pay for 5,000 KW in demand.

21

22 **Q. How much would it cost the DG customer in back up rates?**

23 A. In the case of this example it would cost the customer \$64,560 per year.

24

25 **Q. How much would a customer who reduced their demand in the same amount due to energy**  
26 **efficiency or production cut backs pay for a 2,000 KW reduction?**

1 A. It would cost the customer nothing, \$0.00 per year.

2

3

### Cost and Bill Impacts of Eliminating Back Up Rates

4 **Q. Can you explain how much revenue would have to be recovered from the elimination of back up**  
5 **rate revenues and how it could be done?**

6 A. With only 4 customers<sup>1</sup> on back up rates (B-32 and B-62) there is a very low amount of revenue that  
7 comes to National Grid that would have to be recovered. National Grid's response to TEC-RI data  
8 request 2-3 indicates that only \$250,393.36 in demand charge revenue was collected from B-32 and  
9 B-62 rate classes in 2010.

10

11 Using the electric RDM Adjustment Factor Calculation methodology, the amount of \$250,393.36  
12 divided by 7,801,501,217 kWh would result in an adjustment factor of \$ 0.000032/kWh. This will add  
13 only 1.6 cents per month to the typical residential customer's bill. This cost pales in comparison to the  
14 price we will be paying for electricity from other options. For example, the New Shoreham Off-shore  
15 Wind project, at 24 cents per kWh it averages \$.0026/kWh for each and every customer.<sup>2</sup> For a typical  
16 residential customer, the New Shoreham Off-shore Wind project costs \$1.30 per month. This is 81  
17 times the cost of eliminating the back up rate.

18

19 **Q. How does the cost of eliminating the back up rate compare with other charges?**

20 A. The table below shows the impact of the elimination of the 2010 back up rate revenues on the  
21 typical residential customer using 500 kwh per month. It also makes some comparisons to some other  
22 charges including the Transmission Charge, DSM program, the Renewable Energy Fund (REF), the 2012  
23 ISR Plan<sup>3</sup>, the New Shoreham wind project and finally to lost revenues from 30 MW of Distributed

---

<sup>1</sup> National Grid response to DIV 1-4.

<sup>2</sup> Testimony by David Tufts on behalf of National Grid under docket 4111 indicates that the New Shoreham off-shore wind project will cost customers \$.0026/kwh.

1 Generation projects (the same size as New Shoreham wind).

2

3

4

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

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CHARGE	\$/kWh	Total Cost per month
Transmission Charge	0.01569	\$ 7.845
Dem Side Mgmt Chg	0.0056	\$ 2.800
New Shoreham Wind	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

10

\*using 500 kWh per month

11 The chart below shows some additional comparisons to the New Shoreham Off shore Wind project. This

12 chart shows that if the lost revenue from elimination of back up rates were projected to 30 MW of DG

13 then the New Shoreham project would still be 20 times the cost to rate payers.

14

<u>Comparisons to Off shore wind</u>	Per kWh
New Shoreham Off shore wind project	\$ .0026
Elimination of existing Back up revenues	\$ .000032
% of cost of NS Wind project	1%
30 MW of lost back up rate charge	\$ .000128
% of cost of NS Wind project	5%

15

16

17 **Q. Has National Grid ever discussed the elimination of back up rates in their RDM proposal?**

18 A. Yes. Under a decoupling plan submitted under docket 4065 National Grid did discussed eliminating

19 backup rates. I quote Howard Gorman who was the expert witness speaking for National Grid on

20 Docket 4065. Mr. Gorman stated for the record that:

21

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<sup>3</sup> 2012 Electric Infrastructure, Safety and Reliability Plan.

1           **"The current backup service rate structure may discourage customers from installing**  
2           **distributed generation (other than for large solar and wind systems which are exempt from**  
3           **backup service charges and are eligible for net metering generation credits) because**  
4           **customers incur the same distribution charges no matter the mix of supplemental service and**  
5           **backup service at their peak hours. This would be contrary to the objectives of the Company**  
6           **and the public policy of Rhode Island. Therefore, if the Commission approves the Company's**  
7           **revenue decoupling proposal, the Company may propose to terminate Rate B-32 and transfer**  
8           **all backup service customers to Rate G-32, under which customers are charged only for actual**  
9           **use of the distribution system at their peak hours. The company's proposed RDM would**  
10           **provide the Company the authorized return on assets even with a rate design that promotes**  
11           **distributed generation." (at page 21).**

12  
13           TEC-RI agrees with the principal points of Mr. Gorman's statement including:

- 14           • The current backup service rate structure may discourage customers from installing distributed  
15           generation,
- 16           • continuation of backup rates would be contrary to the objectives of the Company and the  
17           public policy of Rhode Island,
- 18           • the company's proposed RDM would provide the Company the authorized return on assets  
19           even with a rate design that promotes distributed generation.

20  
21           As a point of clarification I want to note that not all backup service customers are on Rate B-32. TEC-RI  
22           clarifies Mr. Gorman's recommendation above by noting that our recommendation is that Rate B-32  
23           customers should be transferred to Rate G-32 and Rate B-62 customers should be transferred to Rate  
24           G-62.

25  
26           **Q. Did National Grid include the elimination of back up rates in this filing?**

27           No. In their response to TEC-RI data request 1-1 National Grid deferred to the Commission calling the  
28           elimination of backup rates "...a policy decision for the Commission to make." National Grid also states

1 in TEC-RI 1-1 that, "Assessing charges for back up service is a concept not directly related to  
2 decoupling."

3

4 TEC-RI believes that the Commission has the latitude to decide under the current docket and that at  
5 least two of the eight stated purposes of the Decoupling Act are to implement Distributed Generation  
6 and Reduce Demand and therefore this docket #4206 is appropriate for consideration of the elimination  
7 of back up rates.

8

9 In addition, TEC-RI believes that National Grid is required to eliminate back up rates since a primary  
10 purpose of the Decoupling Act is to fully decouple revenues from sales. Revenues from back up rates  
11 are included in National Grid's base rates as a distribution charge under docket 4065. This means that  
12 National Grid did not fully, "break the link" between revenues and sales as they assert in their filing  
13 under this docket.

14 TEC-RI believes that National Grid correctly stated in their testimony under docket 4065 that the RDM  
15 should be used to recover lost revenue from the elimination of backup rates. TEC-RI elaborates on  
16 these points below.

17

18

### State DG Policy and Legislation

19 **Q. What is the State's policy relative to encouraging distributed generation and the elimination of**  
20 **backup rates?**

21 A. RIGL 39-1-27.7 "System Reliability and Least Cost Procurement," calls for DG to be included in the  
22 State's energy strategy and calls for back up rates that facilitate the development of DG.

23

24 **Q. Is DG permitted under the State's Decoupling Act, R.I.G.L. 39-1-27.7.1.?**

25 A. The Decoupling Act not only permits it but it requires it. Paragraph (a) of the Act "finds and declares  
26 that any decoupling proposal submitted by an electric distribution company ..... shall be for the

1 following purposes: .....(2) Achieving the goals established in the electric distribution company's plan for  
2 system reliability and energy efficiency and conservation procurement as required pursuant to  
3 subsection 39-1-27.7(c)." The EERMC submitted its revised System Reliability Procurement Standards as  
4 called for by this section of State law on March 1, 2011 calling for a significant emphasis on NWA (non-  
5 wires alternatives) including distributed generation such as CHP, wind and solar. This docket provides an  
6 opportunity to take a step towards implementing those recommendations in a very timely fashion by  
7 eliminating back up rates now.

8

9 **Q. Does the Decoupling Act allow for the recovery of revenues due to the loss of sales?**

10 A. Yes. The first paragraph of the Act states that, "The general assembly finds and declares that  
11 electricity and gas revenues shall be fully decoupled from sales pursuant to the provisions of this  
12 chapter..."

13

14 **Q. How does this relate to back up rates?**

15 A. Up to now, when an electric utility lost revenues due to self generation by a customer (DG), the back  
16 up charge was used to recover some of those lost revenues from individual customers who invested in  
17 DG. This is a disincentive to the development of DG. Under decoupling, this is no longer necessary. The  
18 primary purpose of decoupling is to separate sales from revenue and to recover lost revenues through  
19 the RDM. This is not optional. Note that the Act says that, "electricity and gas revenues shall be fully  
20 decoupled from sales." It does not say that there is an option to partially decouple revenues from sales.

21

22 **Q. Is the purpose of back up rates to recover revenues lost due to a reduction in sales?**

23 A. Yes. As with energy efficiency, self generation results in a reduction in demand due to a  
24 reduction in sales. But unlike energy efficiency, back up rates are used to recover some of those lost  
25 revenues from DG.

1

2 **Q. Isn't this the purpose of the Decoupling Act?**

3 A. Yes. It is one of its main purposes, to break the link between sales and revenues.

4

5 **Q. Is the reduction in demand due to energy efficiency included in the RDM proposed by National**  
6 **Grid?**

7 A. Yes it is.

8

9 **Q. How does a reduction in demand due to energy efficiency differ from a reduction in demand due to**  
10 **DG?**

11 A. It doesn't except for in the cost recovery mechanism proposed by National Grid under this docket.

12 The current rate structure with back up rates discourages DG. If it were put under the RDM this

13 disincentive would be eliminated. Under the current rate structure the customers who take the

14 initiative to self generate would be charged at least \$2.69 per KW of reduction or about \$617,000 per

15 year for a reduction of 19,142 KW. (This is the same demand reduction in the 2011 Energy Efficiency

16 Program Plan submitted by National Grid and approved by the RI PUC). This is a tremendous and unfair

17 disincentive to customers who want to take control of their energy costs and to implement a State

18 Policy that helps all ratepayers.

19

20 **Q. Is Distributed Generation comparable to energy efficiency?**

21 A. Yes. In fact, incentives for distributed generation in the form of Combined Heat and Power projects

22 have been included in the last three Energy Efficiency Program Plans that were prepared by National

23 Grid and the DSM Collaborative and approved by the RI PUC. These plans are submitted under 39-1-

24 27.7 (the Least Cost Procurement provisions of the Comprehensive Energy Conservation, Efficiency and

25 Affordability Act of 2006).

26

1 **Q. Does this Energy Efficiency Program Plan include any KW demand reductions?**

2 A. Yes. The 2011 plan includes 19,142 KW annual savings. Each plan through 2017 will probably include  
3 at least this level of annual demand reduction.

4

5 **Q. Will this demand reduction from efficiency programs result in a loss of revenue from customers?**

6 A. Yes.

7

8 **Q. Will this reduction of demand from efficiency programs be subject to the back up rate?**

9 A. No.

10

11 **Q. Then how will this loss of demand revenue from efficiency programs be recovered?**

12 A. Under National Grid's filing in this docket it will be recovered through the RDM which is charged to all  
13 customers and all customer classes.

14

15

## 16 **DG and the Benefits of Demand Reduction**

17

18 **Q. Do reductions in demand help all ratepayers?**

19 A. Yes.

20

21 **Q. Can you explain?**

22 A. Yes. At a meeting of the ISO (Independent System Operator) Consumer Liaison Group that I attended  
23 on March 3, 2011 an ISO staff person did a presentation that showed that that \$4.6 billion will have  
24 been spent on Transmission upgrades in New England from 2007 through 2011. Another \$4.3 billion is

1 being planned for 2012 through 2014 for a total of \$8.9 billion over this period.<sup>4</sup> This same report says  
2 that Transmission charges in New England have increased 225% between 2005 and 2009 from .4  
3 cents/kwh to .9 cents/kWh. Transmission costs are passed through to ratepayers under the  
4 Transmission Charge on their bill. My January 2011 bill on the A-6 residential rate shows a  
5 Transmission Charge of 1.569 cents/kWh.

6  
7 ISO forecasts that Rhode Island's peak demand (summer) will increase by 1.3% annually over the  
8 next decade. ISO has also reported that on July 6, 2010 Rhode Island hit its fifth highest peak on record  
9 and that peak demand records were set for the months of May and September in 2010. If these trends  
10 continue and are met strictly by the addition of transmission facilities then, these Transmission costs will  
11 continue to rise and continue to be passed through to all customers.

12  
13 In reviewing my own residential bill for my home I was shocked to discover that 24% of my Total  
14 Delivery Services charge was accounted for by the Transmission Charge.<sup>5</sup> As shown in the Table on page  
15 9, a typical residential customer in Rhode Island pays \$7.85 per month on their electric bill for their  
16 Transmission Charge. Reducing demand through DG, energy efficiency, and demand response will help  
17 control these costs for all rate payers by reducing, or potentially eliminating, the need and cost of  
18 increased Transmission capacity in the future.

19

20 **Q. How else does DG help all ratepayers?**

21 A. For a typical residential customer, in addition to helping them to control or eliminate the cost of  
22 Transmission capacity upgrades as discussed above, it helps the local economy and the environment.

23

---

<sup>4</sup> ISO New England's 2009 Report on the Consumer Liaison Group, July 30, 2010, pp. 10, 23.

<sup>5</sup> The Total Delivery Services portion of the bill includes customer charge, distribution energy charge, energy efficiency programs, transmission charge and transition charge. The Transmission Charge accounted for 10% of my total bill when the energy charge and renewable energy charge is included. This is my January 2011 bill which has 497 kWh of use.

1 **Q. How does DG help the local economy?**

2 A. It gives businesses more options and more flexibility for dealing with high energy costs in Rhode  
3 Island which are among the highest in the Nation. This helps businesses to stay in Rhode Island, retain  
4 jobs and perhaps expand jobs for ratepayers. It will also provide local jobs for the installation, operation  
5 and maintenance of the equipment.

6

7 **Q. How does DG help the environment?**

8 A. DG gives off less carbon emissions than conventional bulk power plants. DG plants are often either  
9 renewable energy or CHP (Combined Heat and Power) systems. Renewable energy systems such as  
10 wind or solar have no carbon emissions. CHP usually operate at an efficiency over 60% compared to  
11 conventional bulk power plants that operate at 30 to 35% efficiency. Bulk power plants also require  
12 Transmission lines which can create land use issues for rights-of-way.

13

14 **Q. Is one of the purposes of the Decoupling Act to reduce long term electricity demand?**

15 A. Yes. 39-1-27.7.1 (a) (3) specifically calls for "Increasing investment in least-cost resources that will  
16 reduce long-term electricity demand."

17

18 **Q. Would you say that elimination of the back up rate for DG will help to level the playing field?**

19 A. Yes. TEC-RI is not asking for favored treatment of DG. We are simply asking for equal treatment.

20 Back up rates keep DG at a competitive disadvantage. With the elimination of back up rates through  
21 the RDM, DG could then develop based on the market without being artificially hampered. The market  
22 would determine whether efficiency, demand response, bulk power purchases, upgrades to the  
23 Transmission system, DG or some combination of them all is the best option.

24

25

1 **Q. Have back up rates been eliminated in any other nearby states?**

2 A. Yes. In the Commonwealth of Massachusetts back up rates have been eliminated in the National Grid  
3 territory for about 10 years.<sup>6</sup>

4

5

6

**Closing Comments**

7

8 **Q. Do you have any further comments?**

9 A. Yes I do. As everyone knows, RI has been in a deep economic recession for a couple of years now.

10 Everyone knows that we have among the highest unemployment rates in the Nation at over 10%. The  
11 positions that TEC-RI is taking in this docket, if adopted by the PUC, will give businesses more options  
12 and more flexibility to survive in this economy and hopefully to eventually expand. This will help  
13 businesses to retain jobs and hopefully grow more jobs. We hope that the Commission bears in mind  
14 that ratepayers are customers who need to keep jobs or get jobs. The Rhode Island economy is very  
15 fragile at this time and businesses are looking for some indication that government policy makers and  
16 decision makers understand this and want to help. Small decisions matter (as the expert quoted below  
17 indicates). Collectively, a series of small decisions in pursuit of a clear policy objective matter a lot by  
18 sending a clearer message. TEC-RI has presented two reasonable positions that will help Rhode Island  
19 businesses and help keep and create jobs for ratepayers.

20

21 To underscore the fragility of the Rhode Island economy I will point to an article relevant to energy costs  
22 and their effects on business and the economy that appeared in the March 1, 2011 Providence Journal,  
23 front page. The article was about the effects of increased oil prices on the Rhode Island economy (due  
24 to events in Egypt and Libya). Local experts on the Rhode Island economy were quoted as follows:

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<sup>6</sup> Massachusetts Office of Energy Resources is the source of this information.

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**“Rhode Island is in a recovery, but we’re in a very shallow recovery. Rhode Island has virtually no margin for error.” - Leonard Lardaro, Professor of Economics at the University of Rhode Island.**

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**“The big concern at this point is that this could lead to a double-dip recession in Rhode Island.” -Edward M. Mazze, distinguished professor of business administration at the University of Rhode Island.**

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10 TEC-RI’s recommendations will give RI businesses a little more margin for success, help the environment  
11 and at a fraction of the cost of other energy options.

12

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

14 **A. Yes**

**Docket No. 4206 - National Grid (NGrid) – Revenue Decoupling Mechanism Filing  
Service List as of 12/7/10**

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**Docket No. 4232 - National Grid (NGrid) – Review of the Use of Backup Rates  
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