

# Schacht & McElroy

Robert M. Schacht  
Michael R. McElroy

Attorneys at Law

(401) 351-4100  
fax (401) 421-5696

Members of Rhode Island  
and Massachusetts Bars

21 Dryden Lane  
Post Office Box 6721  
Providence, Rhode Island 02940-6721

email: RMSchacht@aol.com  
McElroyMik@aol.com

April 14, 2011

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

In Re: National Grid – Review of the Use of Backup Rates  
Docket No. 4232

Dear Luly:

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

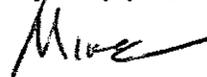
Enclosed for filing in this matter are the following:

1. Motion of TEC-RI to dismiss National Grid's Petition to open this docket.
2. Testimony of William H. Ferguson, Executive Director of TEC-RI, in support of this Motion.

An original and 11 copies of this Motion are enclosed.

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

Very truly yours,



Michael R. McElroy

MRMc:tmg  
cc: Service list  
TecRI/4232/Massaro

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID BACKUP RATE PETITION : DOCKET No. 4232

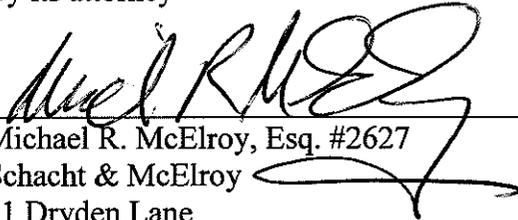
MOTION OF THE ENERGY COUNCIL OF RHODE ISLAND (TEC-RI) TO DISMISS  
NATIONAL GRID'S PETITION TO OPEN THIS DOCKET

The Energy Council of Rhode Island (TEC-RI) hereby moves to dismiss National Grid's (NGrid) Petition asking the Commission to open a backup rate docket. Moreover, TEC-RI respectfully requests that the docket opened by the Clerk, which was apparently not opened with the approval of the Commission at an open meeting, but was apparently opened simply to provide a number to the Petition for administrative purposes, be closed.

The reasons in support of this motion to dismiss are set forth in detail in the accompanying testimony of William H. Ferguson, Executive Director of TEC-RI. TEC-RI, through testimony of Mr. Ferguson, which has already been filed in Docket No. 4206, has addressed the issue of backup rates in the pending Docket No. 4206 dealing with decoupling. It is TEC-RI's belief that Docket No. 4206 is the appropriate vehicle for the Commission to consider backup rate issues.

Accordingly, for the reasons stated in this motion and in the testimony of Mr. Ferguson, which is incorporated by reference herein, TEC-RI respectfully requests that NGrid's backup rate petition of March 17, 2011 be dismissed and that Docket No. 4232 be accordingly closed.

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

  
\_\_\_\_\_  
Michael R. McElroy, Esq. #2627  
Schacht & McElroy

Dated: April 14, 2011

21 Dryden Lane  
P.O. Box 6721  
Providence, RI 02940-6721  
Tel: (401) 351-4100  
Fax: (401) 421-5696  
[Michael@McElroyLawOffice.com](mailto:Michael@McElroyLawOffice.com)

CERTIFICATE OF SERVICE

I hereby certify that on the 14<sup>th</sup> day of April, 2011, I sent a true copy of the foregoing to:

  
Theresa Gallo

**Docket No. 4232 - National Grid (NGrid) – Review of the Use of Backup Rates  
Service List as of 3/29/11**

<b>Name/Address</b>	<b>E-mail Distribution</b>	<b>Phone/FAX</b>
Thomas R. Teehan, Esq. National Grid. 280 Melrose St. Providence, RI 02907	<a href="mailto:Thomas.teehan@us.ngrid.com">Thomas.teehan@us.ngrid.com</a>	401-784-7667 401-784-4321
	<a href="mailto:Joanne.scanlon@us.ngrid.com">Joanne.scanlon@us.ngrid.com</a>	
Leo Wold, Esq. (for Division) Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:Lwold@riag.ri.gov">Lwold@riag.ri.gov</a>	401-222-2424
	<a href="mailto:Steve.scialabba@ripuc.state.ri.us">Steve.scialabba@ripuc.state.ri.us</a>	401-222-3016
	<a href="mailto:David.stearns@ripuc.state.ri.us">David.stearns@ripuc.state.ri.us</a>	
	<a href="mailto:mcorey@riag.ri.gov">mcorey@riag.ri.gov</a>	
	<a href="mailto:acontente@ripuc.state.ri.us">acontente@ripuc.state.ri.us</a>	
Michael McElroy, Esq. 21 Dryden Lane PO Box 6721 Providence, RI 02940-6721	<a href="mailto:McElroyMik@aol.com">McElroyMik@aol.com</a>	401-351-4100 401-421-5696
William H. Ferguson, Executive Director The Energy Council of RI (TEC-RI) 436 Armistice Blvd. Pawtucket, RI 02861	<a href="mailto:Bferguson2010@cox.net">Bferguson2010@cox.net</a>	401-722-7352
<b>File original &amp; 10 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
	<a href="mailto:Anault@puc.state.ri.us">Anault@puc.state.ri.us</a>	401-941-1691
	<a href="mailto:Adalessandro@puc.state.ri.us">Adalessandro@puc.state.ri.us</a>	
	<a href="mailto:Nucci@puc.state.ri.us">Nucci@puc.state.ri.us</a>	
	<a href="mailto:Dshah@puc.state.ri.us">Dshah@puc.state.ri.us</a>	

1 STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

2 RHODE ISLAND PUBLIC UTILITIES COMMISSION

3 Docket No. 4232

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

5 Motion to Dismiss National Grid's Backup Rate Petition of March 17, 2011

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 March 17, 2011 National Grid petitioned the Commission to open a new docket for the review of  
14 the use of backup Rates. Although we understand that the Clerk assigned Docket No. 4232 to this  
15 petition, we also understand that the Commission never ruled on opening the docket at an Open  
16 Meeting. TEC-RI is requesting that this petition be dismissed, the docket 4232 be closed, and that  
17 backup rates be addressed in docket 4206, the decoupling docket.  
18

19 **Q. What are TEC-RI's reasons for requesting that National Grid's petition be dismissed?**

20 A. TEC-RI has several reasons for requesting that the Commission dismiss National Grid's petition. One  
21 reason is that revenues from backup rates in 2010 were de minimis and can be easily recovered through  
22 the RDM under docket 4206, the decoupling docket. In TEC -2-3, docket 4206, National Grid reported  
23 only \$250,393 in demand charge revenue from back up rates in 2010. To recover this from a typical  
24 residential customer, it would amount to only 1.6 cents per month, using the RDM proposed by National

1 Grid in 4206. For comparison purposes, the table below shows how small this charge is relative to some  
2 other electricity charges.

3  
4  
5  
6  
7  
8  
9  
10  
11 **Impact of various charges on a Typical Residential Customer**

12	13	14	15
	CHARGE	\$/kWh	Total Cost per month
16	Transmission Charge	0.01569	\$ 7.845
17	Dem Side Mgmt Chg	0.0056	\$ 2.800
18	New Shoreham Wind (Proposal)	0.0026	\$ 1.300
19	Renewable Energy Chg	0.00123	\$ 0.620
20	2012 ISR Plan	0.00051	\$ 0.270
21	30 MW of Back up charges	0.000128	\$ 0.064
22	2010 Back up Revenues	0.000032	\$ 0.016

23  
24 \* A residential customer using 500kWh per month.

25  
26  
27  
28 **Q. Is Distributed Generation (DG) already included in the decoupling filing by National Grid?**

29  
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.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32

**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 by opening a new docket. This should  
3 have been addressed in their filing under 4206 and they should be required to respond accordingly  
4 under 4206.

5

6 **Q. Does National Grid give any other reasons for requesting a new docket in addition to correcting the**  
7 **two oversights that you previously mentioned?**

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

14

15 **Q. Does TEC-RI have any other reasons for the dismissal of National Grid's request for a new docket to**  
16 **review back up rates?**

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

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

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

23

24 **Q. Do you have any additional comments relative to the dismissal of National Grid's petition to the**  
25 **Commission to open a separate docket to review backup rates?**

26 A. Yes. Given all of these considerations, TEC-RI does not believe it to be prudent or necessary, nor will it

1 result in a better decision, to conduct a separate docket for backup rates. Our petition to dismiss shows  
2 that backup rates is a narrow and limited issue that is best addressed in the context of decoupling, not  
3 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 participate in  
19 multiple dockets on a routine basis.

20

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

22 A. Yes.