TEC- *RI*

THE ENERGY COUNCIL
436 Armistice Blvd
Pawtucket, RI 02861

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

VIA ELECTRONIC MAIL

September 20, 2012

Re: Docket # 4323, Narragansett Electric D/B/A National Grid's application to change electric and gas base distribution rates.

Dear Ms. Massaro:

Enclosed are the comments of TEC-RI. I will also be submitting and presenting them on either September 25th or October 3rd at one of the scheduled Public Hearings being held by the Commission.

TEC-RI would like to thank the Commission for setting up these public hearings to provide customers and stakeholders an official forum to offer formal comments. As the Commission is aware, the expense of a formal intervention in a docket is not always practical or affordable. TEC-RI's intervention in past major dockets has resulted in some frustration for some members, not necessarily due to the actions or decisions of the Commission.

We would also like to thank the Division as well as National Grid for meeting with us to discuss and explain the proposals under this docket. We are confident that the Division and the Commission staff will do a thorough job of reviewing costs and methodologies proposed by National Grid for accuracy and fairness.

Our primary concern relative to this docket is National Grid's request for an increase in the return on equity (ROE) to 10.75% and an authorized rate of return of 7.85% for electric and 8.24% for gas. We ask

the Commission to reject any increase in ROE and authorized rate of return for several reasons including: the trending increase in electric delivery costs, the condition of Rhode Island's economy, and the low risk of National Grid's business. I will elaborate on each of these points.

1. The trending increase in electricity delivery costs.

I have attached Exhibits 1 and 2 which show increases in the electricity delivery costs of National Grid since February 2011 and the increase if this pending rate request is approved. Using data provided by National Grid in previous dockets, Exhibit 1 shows an actual average increase of 11.2%.due to annual adjustments and annual cost recovery allowances. Exhibit 2 shows an average increase of 17% if the pending rate request is approved.

Exhibit 3 shows how this trend will continue when renewable energy mandates begin to show up on our electric bills over the next 3 to 4 years. Additionally, ISO-NE is planning to spend another $4 to $6 billion on transmission upgrades that will be passed through to National Grid. This will increase transmission charges by 2015 by about 1 cent per kWh.[1] This trending rise in delivery costs is a major concern of TEC-RI. It will dramatically effect operating costs for all rate payers and negatively affect the business climate in Rhode Island.

This confluence of electricity cost increases is coming at a terrible time given Rhode Island's economic condition, including high unemployment and its reputation as being a business unfriendly. TEC-RI believes that taking action to temper these cost increases is an extremely important factor to Rhode Island's economic recovery.

2. The condition of Rhode Island's economy.

The condition of Rhode Island's economy argues against any increases in utility rates beyond cost recovery at this time. The state has lost 40,500 jobs since the end of 2006. The number of jobs in Rhode Island has decreased by 1,200 in July 2012. This was the third consecutive month of job loss, according to the state Department of Labor and Training. Since July 2011, total non-farm employment in RI decreased by 7,300.[2] RI's unemployment rate is at 10.8 percent, the second highest in the country. This is not a good time to raise utility rates any more than necessary to recover legitimate costs. Higher energy costs will not help Rhode Island's economic recovery. Continued high unemployment, loss of jobs and business will decrease utility sales and revenues resulting in more uncollectible expenses and lower throughput to absorb distribution costs.

3. Low risk associated with National Grid's business.

Many costs on both the electric side and gas side of the National Grid's business are recovered annually. In this docket, National Grid is seeking three additional mechanisms for annual cost recovery (post-retirement costs for electric operations, property tax expenses, and uncollectible expenses). These annual automatic cost recovery mechanisms minimize risk to National Grid and argue against any

[1] RSP 2011 Regional System Plan Executive Summary, ISO New England, pages 9, 25.
[2] Providence Journal, August 17, 2012, page A1.

increase in the ROE and authorized rate of return especially in view of 1 and 2 above. Citizens, state and local governments and businesses have had to cut costs, in some cases very significant cuts, to survive. National Grid should be expected to do the same including reducing their rate of return and ROE. Matthew Kahal's analysis of return on equity and rate of return for the Division appears thorough and fair. We are persuaded by his analysis to suggest that the National Grid ROE should be lowered to 9.5% and the authorized rate of return to 7.11% for electric and 7.39% for gas per his recommendations. We are asking the Commission to support this if Mr. Kahal's analysis stands up under scrutiny during the conduct of the hearings.

In closing, I believe that Rhode Island is poised to become the state with the highest electric costs given the trends I note in item one above[3]. Currently, Rhode Island has the sixth highest costs. [4] The Commission does not have authority over some of these increases. However, it has authority over this current docket and it will have authority over the utility scale offshore wind project if and when it appears before you within the next few years. TEC-RI urges you to consider the adverse economic impact on our state by not only denying an increase in National Grid's authorized rate of return and ROE and but in fact decrease it as recommended by the Division. Any further increases at this time could result in more job losses and more ratepayers unable to pay their bills.

If you wish to contact me I can be reached at (401) 585-5396 or bferguson2010@cox.net.

Sincerely,

William H. Ferguson

William H. Ferguson, CEM, LEED AP
Executive Director, TEC-***RI***

[3] Of the lower 48 states.
[4] U.S Energy Information Administration, Electric Power Monthly.

TEC-RI Exhibit 1: RI PUC Docket 4323

Delivery Cost Increases per month for National Grid customers

Feb. 2011 vs Current: TOTAL Delivery Costs

Monthly Data

G-62, 300 hrs. use		February 1 ,2011	Current		**Actual Cost Increase From**
kW	kWh	Docket #4226	Docket 4327	Difference	**Feb. 2011 to Sept. 2012**
3000	900000	$ 44,658	$ 48,799	$ 4,141	9.3%
20000	6000000	$ 197,375	$ 224,977	$ 27,602	14.0%
G-62, 500 hrs. use					
3000	1500000	$ 52,270	$ 57,130	$ 4,860	9.3%
20000	10000000	$ 248,125	$ 280,518	$ 32,393	13.1%
G-32, 300 hrs. use					
200	60000	$ 2,551	$ 2,774	$ 223	8.7%
2500	750000	$ 27,697	$ 31,177	$ 3,480	12.6%
G-32, 500 hrs. use					
200	100000	$ 3,414	$ 3,697	$ 283	8.3%
2500	1250000	$ 38,489	$ 42,713	$ 4,224	11.0%
G-02, 300 hrs. use					
20	6000	$ 353	$ 379	$ 26	7.4%
150	45000	$ 2,112	$ 2,314	$ 202	9.6%
G-02, 500 hrs. use					
20	10000	$ 440	$ 473	$ 33	7.5%
150	75000	$ 2,758	$ 3,024	$ 266	9.6%
SMALL RATE CLASSES					
A-16	500 kWh	$ 33.67	$ 37.33	$ 3.66	11%
A-60	500 kWh	$ 20.22	$ 26.30	$ 6.08	30%
C-06	250 kWh	$ 22.71	$ 24.80	$ 2.09	9%
C-06	2000 kWh	$ 123.31	$ 134.03	$ 10.72	9%

Average Increase all rate classes: **11.2%**

Sources:

Delivery Cost February 1, 2011: Nationl Grid filing,docket 4226, bill impacts tables.
Delivery cost Current : National Grid filing, docket #4327, bill impacts tables using proposed rates with RDM credit of $00014/kWh.

TEC-RI Exhibit 2: RI PUC Docket 4323

Delivery Cost Increases per month for National Grid customers

Feb. 2011 vs Proposed: TOTAL Delivery Costs

Monthly Data

G-62, 300 hrs. use		February 1 ,2011	Proposed		**Delivery Cost Increase Since Feb. 2011**
kW	kWh	From Docket #4226	Docket 4323	Difference	**Actual vs. Proposed**
3000	900000	$ 44,658	$ 52,259	$ 7,601	17.0%
20000	6000000	$ 197,375	$ 248,043	$ 50,668	25.7%
G-62, 500 hrs. use					
3000	1500000	$ 52,270	$ 60,896	$ 8,626	16.5%
20000	10000000	$ 248,125	$ 305,625	$ 57,500	23.2%
G-32, 300 hrs. use					
200	60000	$ 2,551	$ 2,750	$ 199	7.8%
2500	750000	$ 27,697	$ 33,472	$ 5,775	20.9%
G-32, 500 hrs. use					
200	100000	$ 3,414	$ 3,605	$ 191	5.6%
2500	1250000	$ 38,489	$ 44,154	$ 5,665	14.7%
G-02, 300 hrs. use					
20	6000	$ 353	$ 393	$ 40	11.3%
150	45000	$ 2,112	$ 2,400	$ 288	13.6%
G-02, 500 hrs. use					
20	10000	$ 440	$ 485	$ 45	10.2%
150	75000	$ 2,758	$ 3,090	$ 332	12.0%
SMALL RATE CLASSES					
A-16	500 kWh	$ 33.67	$ 40.80	$ 7.13	21%
A-60	500 kWh	$ 20.22	$ 28.24	$ 8.02	40%
C-06	250 kWh	$ 22.71	$ 27.27	$ 4.56	20%
C-06	2000 kWh	$ 123.31	$ 139.18	$ 15.87	13%

Average Increase all rate classes: **17.0%**

Sources:

Delivery Cost February 1, 2011: Nationl Grid filing,docket 4226, bill impacts tables.
Delivery cost Proposed: National Grid filing, Docket 4323, bill impacts tables.

TEC-RI Exhibit 3: RIPUC Docket 4323

Anticipated Delivery Cost Increases by 2015

Renewable Energy Program	20 year Ratepayer Subsidy	Cents/kWh 20 yr. Average	Cents/kWh 2015
Block Island Wind	$ 495,000,000.00	0.32	0.25
Solar DG	$ 100,000,000.00	0.11	0.11
Other renewables*	$ 50,000,000.00	0.05	0.05
Utility Scale Offshore Wind	$ 4,000,000,000.00	2.60	1.70
Sub-total	$ 4,645,000,000.00	3.08	2.11
ISO-NE Transmission**			1.00
Total Increase: cents/kWh			3.11

* Net metering projects, standard contracts and non-solar DG projects.

** RSP 2011 Regional System Plan Executive Summary, ISO New England, pages 9, 25.