

BEFORE THE
STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

Electric Distribution Rate Design Proposal :
Proposal Pursuant to R.I. Gen. Laws : Docket No. 4568
§ 39-26.6-24 of the Narragansett Electric :
Company d/b/a National Grid :

SURREBUTTAL TESTIMONY

OF

ALVARO E. PEREIRA

REGARDING THE ELECTRIC DISTRIBUTION RATE DESIGN PROPOSAL
Of NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID

ON BEHALF OF THE

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

January 6, 2016

1 **I. INTRODUCTION**

2 **Q. Please identify yourself for the record.**

3 A. My name is Alvaro E. Pereira. I am a Principal Consultant for Daymark Energy Advisors
4 (formerly known as La Capra Associates, Inc.). My business address is Daymark Energy
5 Advisors, One Washington Mall, Boston, MA 02108.

6 **Q. On whose behalf do you testify in this proceeding?**

7 A. I am testifying on behalf of the Rhode Island Division of Public Utilities and Carriers
8 (“the Division”).

9 **Q. Have you previously submitted testimony in this proceeding?**

10 A. Yes. On November 11, my direct testimony in this proceeding was filed on behalf of the
11 Division.

12 **Q. What is the purpose of your surrebuttal testimony in this proceeding?**

13 A. The purpose of this surrebuttal testimony is to respond to the rebuttal testimony of Peter
14 T. Zschokke, Jeanne A. Lloyd, and Timothy R. Roughan that was filed on December 16,
15 2015 on behalf of National Grid (“Company”). I respond to certain issues raised by the
16 Company, but if I do not respond to a particular issue, that lack of response should not be
17 considered as agreement (or disagreement).

18

19 **II. SUMMARY and RECOMMENDATIONS**

20 **Q. Please summarize your conclusions and recommendations of your rebuttal
21 testimony.**

22 A. My conclusions and recommendations can be summarized as follows:

- 1 • Nothing in the Company’s rebuttal testimony has caused me to change any
2 other conclusions and recommendations in my direct testimony.
3

4 **III. RESPONSE TO NATIONAL GRID’s REBUTTAL TESTIMONY**

5 **Q. The Company’s testimony (at Bates Page 5-6) mentions “appropriate cost**
6 **responsibility” and “fair and equitable contributions toward the operation,**
7 **maintenance, and investment in the distribution system.” Do you believe the**
8 **Company’s proposal advances these goals compared to the status quo?**

9 A. It may, but the extent to which it does is unclear. The Company relies on a dated
10 allocated cost of service study and does not provide cost data specific to DER
11 customers. Moreover, the Company’s “ideal” rate design, which would feature demand
12 charges, was not proposed by the Company for residential and small commercial and
13 industrial customers. The Company’s proposal is expected to alter the contributions to
14 revenue collection from different customer groups, but the linkage to cost causation
15 remains unclear enough to question the efficacy of and need for this “first step” rate
16 design change proposed by the Company.

17 **Q. The Company claims (at Bates 7) that the “the true value of the potential benefits**
18 **of DG will likely not be known for years.” How do you respond?**

19 A. The Company makes this statement but does not provide an explanation of why that is
20 the case. Clearly, there have been many, many studies that have examined the benefits
21 of distributed generation (“DG”); a quick internet search would verify this statement,
22 and the Company has provided one example in their direct testimony (and expounds on
23 these benefits in its rebuttal testimony). It may be the case the benefits may not yet be

1 fully measurable because the metering and measurement infrastructure and internal
2 company processes are currently not available. The Company's illustration (at Bates 22
3 to 23) is useful but would be made more useful if actual data for the DG systems and
4 impacts on specific parts of its distribution system were made available. Despite these
5 measurement issues on the benefit side, the Company apparently feels that the costs
6 imposed by DG customers are measurable and known, but, as explained in my direct
7 testimony, I do not believe that the Company's proposal promotes cost causation to a
8 greater degree than found in its current rate structures.

9 **Q. What customer education issues are raised by the rebuttal testimony of the**
10 **Company's witnesses on that you wish to respond to?**

11 A. In my direct testimony, I mention the lack of information in the Company's July 31,
12 filing regarding the costs due to customer education as the Company implements its rate
13 proposal. This lack of information regarding customer education costs (and other costs)
14 makes it difficult to evaluate the Company's proposal.

15 The Company's rebuttal testimony (at Bates 39) indicates that I state in my direct
16 testimony (at 10) that the proposed tiered customer charge would cause customer
17 confusion and would be too costly to implement.

18 **Q. How do you respond?**

19 A. I did not make any conclusions regarding the level of costs to implement the Company's
20 proposal. Rather, my direct testimony indicated that the Company had not provided
21 enough information to evaluate the costs of implementation. The Company has
22 provided additional information regarding implementation costs in their rebuttal
23 testimony.

1 **Q. The Company claims (at Bates 20) that energy efficiency is different from DG**
2 **because energy efficiency measures change the “demand profile” of a customer**
3 **while DG only changes the “location of the generation.” How do you respond?**

4 A. I agree that energy efficiency changes the demand profile of a customer and that DG
5 changes the location of the generation (that was used by the customer prior to
6 installation of DG). However, I do not understand how the demands on the distribution
7 system are different assuming the production profiles are the same. Clearly, an
8 intermittent DG will have a different production profile over any particular day, month,
9 and year than an energy efficiency measure that is always “on”, which may not be the
10 case for all energy efficiency measures. However, a non-intermittent DG unit (or an
11 intermittent DG unit backed by storage) should be very similar to an energy efficiency
12 measure in terms of the impact on the distribution grid.

13 **Q. The Company indicates (at Bates page 44) that it does not “believe that time-**
14 **varying rates are appropriate for the recovery of distribution system costs.” Do**
15 **you agree?**

16 A. No. The Company repeatedly cites Bonbright’s principles of rate design (that were
17 published in 1961). One the principles is promotion of efficient use of energy by the
18 customer, thereby avoided strain on the delivery or infrastructure system. The
19 Company also mentioned (see Direct Testimony at 17) that its distribution system is
20 designed (and thus, costs incurred) to meet maximum or “peak” needs of its customers.
21 This peak will by definition occur at a particular time (as well as location). Setting aside
22 the issue of location-specific rates, it is logical to conclude that a rate design with a time
23 element would be more effective at sending price signals to reduce demands during

1 certain times; i.e., a rate design with higher prices during “peak” times should provide a
2 greater incentive for customers to reduce their peak loads than a fixed customer charge
3 that can change based on total consumption in a particular month. Of course, certain
4 costs, such as billing and administrative and general, do not vary with conditions during
5 peak and should be collected through fixed customer charges (that do not vary based on
6 consumption).

7

8 **IV. CONCLUSION**

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

10 **A.** Yes it does. I reserve the right to amend or expand this testimony if additional information
11 becomes available.