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January 6, 2016

Ms. Luly Massaro, Clerk Rhode Island Public Utilities Commission 89 Jefferson Boulevard Warwick, RI 02888

Re: Docket 4568

Dear Ms. Massaro:

Enclosed please find an original and nine copies of the following document:

1. Surrebuttal Testimony of Janet Gail Besser, Vice President, Policy and Government Affairs, Northeast Clean Energy Council.

Please note that an electronic copy of this document has been provided to the service list.

Thank you for your attention to this matter.

Sincerely,

Jough all ph Jr

Joseph A. Keough, Jr.

JAK/kf Enclosures cc: Docket 4568 Service List (*via electronic mail*)

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STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF THE NARRAGANSETT ELECTRIC COMPANY D/B/A NATIONAL GRID'S RATE DESIGN PURSUANT TO R.I. GEN. LAWS § 39-26.6-4

Docket NO. 4568

PREFILED SURREBUTTAL TESTIMONY

OF

JANET GAIL BESSER VICE PRESIDENT, POLICY AND GOVERNMENT AFFAIRS, NORTHEAST CLEAN ENERGY COUNCIL

JANUARY 6, 2015

NECEC (Northeast Clean Energy Council) Janet Gail Besser Intervener Surrebuttal Testimony RIPUC Docket No. 4568 Page 1 of 20

1	I. INTRODUCTION AND QUALIFICATIONS OF JANET GAIL BESSER
2	Q. Please state your name and business address?
3	A. My name is Janet Gail Besser and my business address is 250 Summer Street, 5 th Floor,
4	Boston, Massachusetts 02210.
5	
6	Q. Are you the same Janet Gail Besser who provided direct testimony on October 23, 2015
7	and November 23, 2015, in this Docket?
8	A. Yes I am.
9	
10	Q. What is the purpose of your testimony?
11	A. The purpose of my surrebuttal testimony is to respond to the Joint Rebuttal Testimony filed
12	by Narragansett Electric Company, d/b/a National Grid ("National Grid" or the "Company") on
13	December 16, 2015 ("National Grid's Rebuttal Testimony").
14	
15	Q. On whose behalf are you submitting testimony in this proceeding?
16	A. I am submitting testimony on behalf of the Northeast Clean Energy Council ("NECEC",
17	formerly the New England Clean Energy Council).
18	
19	Q. How is your testimony organized?
20	A. My testimony is organized into three sections.
21	• Section I presents my general comments on National Grid's Rebuttal Testimony.
22	Section II presents my specific comments on National Grid's response to the
23	Interveners' (primarily NECEC's) direct testimony, including the Company's proposed
24	modifications to the tiered customer charge rate design and its Access Fee proposals.
25	• Section III presents my conclusions and recommendations to the Commission.
26	
27	

1 II. NECEC'S GENERAL RESPONSE TO THE NATIONAL GRID JOINT REBUTTAL TESTIMONY

2 Q. What is your general response to National Grid's Rebuttal Testimony?

A. My overarching comment is that National Grid's Rebuttal Testimony actually supports two of 3 the interveners' major points: (1) the impact of distributed energy resources ("DER"), including 4 distributed generation ("DG"), on the distribution system in Rhode Island is small now and likely 5 to remain so over the next few years; and (2) it would be valuable to undertake a separate 6 7 collaborative stakeholder effort related to grid modernization. Both of these points support 8 NECEC's and other interveners' recommendations to the Commission that it find no change to 9 rate design is needed now and that it direct the Company to engage in a collaborative stakeholder process outside of this proceeding. 10

11

12 Q. Would you please elaborate of the first point regarding the impact of DER?

13 A. The impact of DER, including DG, on the distribution system in Rhode Island is small now and

14 likely to remain so over the next few years given the size of the REG program. National Grid

15 explicitly acknowledges "the current low levels of penetration" of DG. (National Grid Joint

16 Rebuttal Testimony, Bates 29, line 3)

17

This is consistent with NECEC's position as described in my Direct Testimony: the impact of the 18 REG Program on distribution cost allocation is small, and, as I and other interveners further 19 note, National Grid's tiered customer charge rate design proposal addresses only a portion of 20 this small impact. (NECEC Direct Testimony, Bates 12 line 25 - Bates 13 line 6; OER Direct 21 Testimony of Marion Gold, page 4) However, National Grid's attempt to "fix" a small problem, 22 23 if it is even yet a problem, may harm the development of DER, which is contrary to the 24 legislative purposes of the Renewable Energy Growth Program statute ("REG Statute") (RIGL §39-26.6-1). 25

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Given the relatively minor impact of DG on the distribution system and the allocation of 1 2 distribution costs among customers, as well as the small effect of National Grid's proposed rate 3 design changes on the allocation of distribution costs, there is no urgent need to make changes to rate design at this time. (See NECEC Direct Testimony, Bates 12 line 15 to Bates 14 line 4; 4 OER Direct Testimony of Marion Gold, page 3.) As I said in my Direct Testimony and discuss 5 further below, the REG Statute at Section 24 requires that the Public Utilities Commission 6 "consider rate design and distribution cost allocation among rate classes..." (emphasis added) 7 and then "determine "the appropriate cost responsibility" taking into account and balancing 8 9 seven factors. The REG Statute does not require the Commission to approve changes to rate 10 design absent a determination that they are warranted. (NECEC Direct Testimony, Bates 18 lines 15-17) 11

12

Moreover, while National Grid's witnesses state that residential customers pay over \$10 per month for what they characterize as "Subsidy and Public Policy Programs," only \$2.95/month, or 3%, represents costs for renewable energy and only a portion of that is associated with the Renewable Energy Growth ("REG") program that prompted this proceeding. (See Schedule NG-1-R, line 39, National Grid Joint Rebuttal Testimony, Bates 70)¹

18

19 Q. Would you please elaborate on the second point regarding a process to consider grid

20 modernization?

A. National Grid's Rebuttal Testimony also notes repeatedly that additional distribution system capabilities are needed to assess the benefits and costs of DG accurately and to implement the interveners' recommendations for appropriate rate design for the long term. (National Grid Joint Rebuttal Testimony, Bates 12 lines 1-2; Bates 26 lines 6-9; Bates 40 lines 16-17; Bates 44 lines 19-21; Bates 45 lines 6-8,14-15) While consideration of the investment needed to "modernize" the Rhode Island distribution grid may be beyond the scope of this proceeding,

¹ Approximately half of the \$10 figure or \$4.77/month (see Schedule NG-1-R, Bates 70, line 32) relates to the Company's Energy Efficiency Programs, which the Commission has consistently found to benefit all customers.

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the Company's statements support the argument of some of the interveners that the more 1 2 pressing need now is for National Grid to work with stakeholders to evaluate and develop a plan for modernizing the grid in Rhode Island to implement the changes to the distribution 3 system and rates the Company itself identifies as necessary for the future. (National Grid Joint 4 Rebuttal Testimony, Bates 15lines 19-21) This is why NECEC and other interveners 5 recommended in our Direct Testimonies that the Company, stakeholders, policymakers and 6 regulators focus their efforts and resources in the near term on a collaborative stakeholder 7 8 process focused on distribution system planning/grid modernization and "leverage[ing] 9 information obtained through various pilot programs currently underway in Rhode Island and Massachusetts" (National Grid Joint Rebuttal Testimony, Bates 12 lines 7-8) before 10 implementing a rate design that is (1) not needed now and (2) not consistent with long term 11 objectives. (NECEC Direct Testimony, Bates 17 lines 6-25) The System Integration Rhode Island 12 ("SIRI") initiative offers a framework and forum for such a collaborative effort. 13

14

15 Q. Do you have any other general comments?

A. Yes. National Grid focuses its discussion of the benefits and costs of DG solely on the
benefits and costs *to the distribution system*, which is inconsistent with the requirements of the
Renewable Energy Growth Program statute ("REG Statute"). Section 1 of the REG Statute
indicates that legislators defined the benefits of DER broadly to include environmental, energy
diversity, and economic development benefits, as well as distribution system reliability and
resiliency:

"The purpose of this chapter is to facilitate and promote installation of grid-connected
 generation of renewable-energy; support and encourage development of distributed
 renewable-energy generation systems; reduce environmental impacts; reduce carbon
 emissions that contribute to climate change by encouraging the siting of renewable
 energy projects in the load zone of the electric-distribution company; diversify the
 energy generation sources within the load zone of the electric-distribution company;

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1	stimulate economic development; improve distribution system resilience and reliability
2	within the load zone of the electric distribution company; and reduce distribution
3	system costs." (RIGL §39-26.6-1)
4	
5	National Grid acknowledges that the "value proposition" of DER "underlies the state's policy
6	goals of promoting DG" (National Grid Joint Rebuttal Testimony, Bates 5 line 19 to Bates 6 line
7	2), but then goes on to focus on the benefits and costs of DER to the distribution system, which
8	is far narrower than the REG Statute's requirements. (National Grid Joint Rebuttal Testimony,
9	Bates 25 lines 1-9; Bates 28 line 19 to Bates 30 line 15)
10	
11	Q. Would you please elaborate.
12	A. For example, National Grid characterizes the benefits of DG as potential, saying "At this stage
13	of development, the DG industry has potential benefits to the utility and others, but those
14	benefits may not be realized for years to come. Currently, the DG industry provides little to no
15	actual and quantifiable benefits to the utility and other customers." (National Grid Joint
16	Rebuttal Testimony, Bates 26 lines 10-13)
17	
18	First, the focus on the utility is too narrow. The REG Statute clearly articulates a broader set of
19	benefits from DG than direct benefits to the distribution system. (RIGL §39-26.6-1) Moreover,
20	at least two of the studies referenced by National Grid to support its argument that the benefits
21	of DG to the distribution system are small recognize that the value of DG extends beyond the
22	distribution system. The Maine value of solar study estimated a significantly positive value of
23	solar at \$0.182/kWh without including any distribution system benefits. (National Grid Joint
24	Rebuttal Testimony, Bates 37 lines 15-20) National Grid also cites Acadia Center value of solar
25	study for Rhode Island estimates for a distribution system value of solar between \$0.0047/kWh
26	and \$0.0277/kWh. (National Grid Joint Rebuttal Testimony, Bates 38 lines 1-5). However, the
27	Company neglects to point out that the Acadia Center study found that the "value of solar to

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the grid – and ratepayers connected to the grid – ranges from 19-25 cents/kWh, with additional
societal values of approximately 7 cents/kWh." (Acadia Direct Testimony Exhibit No. AC-5,
Bates 12) I am not endorsing either study's particular estimates. Rather the point I am making
is that focusing only on estimates of the current distribution system benefits of DG is not only
inconsistent with the REG Statute but also misrepresents the conclusions of the studies cited.
Second, National Grid acknowledges that an issue in estimating the benefits of DG is the

Company's ability to measure or quantify benefits in order to determine and capture the value
of DG, not whether the benefits exist. As noted above and discussed further below, this
suggests further exploration of what would be needed to enable National Grid to measure and
capture the value of DG, not adoption of a rate design proposal that would discourage its
development in Rhode Island.

13

14 Q. Anything else?

A. Yes. My last general comment is that National Grid mischaracterizes NECEC's interests in this 15 proceeding and the influence of these interests on my testimony. (National Grid Joint Rebuttal 16 17 Testimony, Bates 5 lines 5-12) As I described in my Direct Testimony, NECEC is a "clean energy business, policy and innovation organization whose mission is to create a world-class clean 18 energy hub in the Northeast delivering global impact with economic, energy and environmental 19 solutions. NECEC represents the clean energy industry broadly, advocating for policies that 20 advance clean energy across the range of technologies from solar to energy efficiency, demand 21 response, grid-scale renewable energy, clean and renewable distributed generation, combined 22 23 heat and power, energy storage, biofuels, fuel cells and advanced and 'smart' technologies." 24 (NECEC Direct Testimony, Bates 1 lines 8-14)

25

26 It is important to understand that NECEC's member companies are in the clean energy business

27 because they care about the effect of energy production and use on the environment, one of

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the REG Statute's purposes, and want to provide products and services to customers that meet 1 2 their energy needs while minimizing their environmental impact. They need to make a profit in order to stay in business. Competition in the DG market and the competitive elements of the 3 REG program ensure that profits are reasonable, just as regulatory oversight ensures that 4 National Grid's returns on its investment are "just and reasonable." 5 6 NECEC works to implement sustainable public policies that support clean energy businesses. By 7 8 "sustainable" I mean both environmentally and economically sustainable - i.e., policies that are 9 built on strong economic foundation so that they support and promote renewable energy in a way that is cost-effective and affordable for customers over the long term. This speaks to 10 another of the REG Statute's purposes, "reduc[ing] distribution system costs." (RIGL §39-26.6-11 1) Rhode Island has taken a measured and "sustainable" approach to public policy to support 12 distributed renewable energy development, beginning with the 40 MW DG Standard Contracts 13 Program (RIGL§ 39-26.2), and considering its benefits and costs before expanding it in the form 14

- 15 of the REG Program.
- 16

Finally, I have worked in the industry for 30 years, starting as a low-income consumer advocate,
and then as a regulator, utility executive and expert consultant. This broad experience informs
my testimony on what is fundamentally good rate design, which as an expert I stand by
whether working for clean energy or another stakeholder.

21

22 III. NECEC'S SPECIFIC RESPONSES TO THE NATIONAL GRID JOINT REBUTTAL TESTIMONY

23 Q. What specific comments or response do you have to National Grid's Rebuttal Testimony?

A. My specific comments will respond to the Company's contentions in its Rebuttal Testimonyin the following areas:

- The need for rate design change now and whether the REG Statute requires the
- 27 Commission to approve a change to rate design in this proceeding;

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1	 Other steps that might be taken, including a separate stakeholder process;
2	• The complexity of its rate design proposal and the recommendations of interveners to
3	explore alternative rate designs;
4	 Proposed modifications to its tiered customer charge proposal; and
5	• The rationale for an Access Fee and the Company's "grandfathering" proposal.
6	
7	Need for Rate Design Change Now
8	Q. You have responded generally to National Grid's claim that rate design change is needed
9	now. What specific issues are you addressing here?
10	A. In a number of areas, National Grid misrepresents the intent of Section 24 of the REG
11	Statute (RIGL §39-26.6-24). Specifically, National Grid states, "The imperative underlying
12	Section 24's requirement for the PUC to establish a fair rate structure is that the growing DG
13	energy sector is not contributing its fair share towards the costs of operating, maintaining, and
14	investing in the system to which DG is interconnected." (National Grid Joint Rebuttal
15	Testimony, Bates 6 lines 7-10) There is no language in Section 24 that supports this position.
16	While NECEC agrees that DG should contribute "its fair share towards the cost of operating,
17	maintaining and investing in the system to which DG is interconnected," Section 24 is not based
18	on a conclusion that DG is not doing so.
19	
20	Rather Section 24 requires the Commission to consider "rate design and distribution cost
21	allocation" as part of "determin[ing] appropriate cost responsibility." As I stated earlier, the

sixth factor enumerated in Section 24 that the Commission is to take into account and balance

23 in "establishing *any* new rates" (emphasis added) it "may deem appropriate" is "[t]he general

24 assembly's legislative purposes in creating the distributed generation growth program," which

include the support and promotion of DER, including DG. (RIGL §39-26.6-1, 24)

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First, the plain reading of the word "any" quoted above indicates that there is an option for the
Commission to decide that no new rates are needed. The Commission is not obligated to
change rates simply for the sake of changing them. Consideration and rejection of National
Grid's rate design proposal is not "doing nothing." (National Grid Joint Rebuttal Testimony,
Bates 9 line 10) It is within the Commission's discretion, after balancing the factors in
paragraph (b) of Section 24, to determine that no rate changes are appropriate at this time.

Second, the inclusion of "the general assembly's legislative purposes in creating the distributed generation growth program" as one of the factors to be balanced indicates that Sections 24 and 1 cannot be read separately. (RIGL §39-26.6-1 and 24) As stated earlier, "current bill impacts" due to distribution cost allocation are small and the Company's proposed rate design does not change them much (NECEC Direct Testimony Bates 12 line 25 to Bates 13 line 6; OER Direct Testimony of Marion Gold, page 4)

14

Q. National Grid claims that "Implementing appropriate rates now will prevent further unjust 15 cross-subsidies from occurring in Rhode Island with the anticipated success of the RE Growth 16 Program..." (National Grid Joint Rebuttal Testimony, Bates 13 lines 14-16). Do you agree? 17 A. No, I do not. First, National Grid has not demonstrated that any "unjust" cross-subsidies will 18 occur, or that customers will be harmed if the Commission does not approve National Grid's 19 proposal. As set forth previously in my testimony, the distribution cost allocation effect of the 20 REG Program is small and may be a consequence of achieving a desirable goal – namely the 21 enunciated purpose of the REG Program as set forth in Section 1. 22

23

Second, I do not agree that National Grid's proposed rate design will lead to the "anticipated
success" of the REG Program. It is difficult to see how the Company's "rate design proposal
strikes a balance between fairness and equity for all customers while achieving ...the facilitation
and promotion of DG." (National Grid Joint Rebuttal Testimony, Bates 15 lines 11-13) While

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NECEC hopes to see the "proliferation of DG" that National Grid posits as the cause of current
 rate structure inequities, it is not yet occurring. (National Grid Joint Rebuttal Testimony, Bates
 16 line 18) National Grid's proposal for a tiered customer charge and Access Fee will not
 "facilitate and promote" DG consistent with the REG Statute. Instead it will deter its paced and
 steady development.

6

Q. Yet, National Grid claims that it "provided evidence that a strong program to promote
renewable DG by a state or country will result in swift acceleration in use of distributed
renewable generation." (National Grid Joint Rebuttal Testimony, Bates 13 lines 18-19) Do
you agree?
A. No. National Grid has not provided evidence to support its assertion that "a strong program
to promote renewable DG by a state or country will result in swift acceleration in use of

distributed renewable generation," nor has it responded to NECEC's Direct Testimony (NECEC

14 Direct Testimony, Bates 13 lines 8-11) noting the differences between the size and nature of

15 the REG program and other renewable energy policy support in Rhode Island and the other

16 states and countries mentioned in National Grid's Joint Direct Testimony. (National Grid Joint

17 Pre-Filed Direct Testimony, Bates 16) Further, National Grid has not provided any evidence that

its rate design proposal will promote the REG Program in Rhode Island and lead to a "swift

19 acceleration" of DER.

20

21 Other Steps Including Stakeholder Process

22 Q. Please describe the other steps that might be taken, including a separate stakeholder

23 process?

24 A. National Grid misstates NECEC's recommendation regarding a separate stakeholder process

to consider grid modernization and rate design options that may be available with enhanced

- 26 capabilities in the distribution system and advanced metering. It is not NECEC's position that
- 27 Section 24 should be implemented in the context of a larger stakeholder process. (National

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Grid Joint Rebuttal Testimony, Bates 10 lines 2-18) I recommended in my Direct Testimony that 1 2 the Commission not approve National Grid's rate design proposal in this proceeding and 3 separately direct the Company to engage in a stakeholder process. (NECEC Direct Testimony, Bates 18 line 3 to Bates 19 line 2) This is consistent with the presentations and discussion on 4 the May 14, 2015, Stakeholders Meeting in Docket 4545 (the predecessor docket to this 5 proceeding), where several of the parties to this proceeding agreed that this docket would 6 focus on rate design and was a "first step." This step should be toward the future and not 7 8 toward a dead end.

9

In fact, NECEC agrees with the Company that the Commission has discretion to decide that a 10 stakeholder process to consider grid modernization, separate from the rate design proceeding 11 described in Section 24, is warranted, and that the REG Statute does not "preclude 12 investigation of advanced metering applications or more sophisticated rate design proposals 13 outside of this docket." (National Grid Joint Rebuttal Testimony, Bates 11 lines 17-20) The 14 Company further makes the point that "grid modernization, advanced metering infrastructure, 15 and associated sophisticated rate design changes will require significant investment," which 16 17 would clearly put a broader stakeholder process outside the revenue neutral rate design proceeding in Section 24. (National Grid Joint Rebuttal Testimony, Bates 11 line 22 to Bates 12 18 line 3) Again, the REG Statute contemplates a Commission decision that no revenue neutral 19 rate design changes are needed at this time. Beyond that, the Commission has the discretion to 20 direct a separate collaborative stakeholder process. 21

22

Q. Are there other statements by National Grid that suggest further investigation beyond the
 scope of this proceeding would be desirable or appropriate?

A. Yes. National Grid's discussion of the effects of DG on the need for distribution system

26 capacity argues more for investment in the distribution system to have greater visibility or

27 awareness of DER than imposing charges on DG customers. (National Grid Joint Rebuttal

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Testimony, Bates 22 line 20 to Bates 23 line 10) Similarly, National Grid's statements regarding 1 2 the difficulty of accurately determining the value of DG without additional investments support 3 a process to explore the benefits and costs of acquiring this capability. (National Grid Joint Rebuttal Testimony, Bates 26 lines 6-9) Statements that the Company cannot even rely on non-4 intermittent DG in its planning because it does not know when it will be operating (National 5 Grid Joint Rebuttal Testimony, Bates 29 line 1 to Bates 30 line 15); reference to the need for 6 interval metering in order to accurately measure the value of DG (National Grid Joint Rebuttal 7 Testimony, Bates 35 lines 5-8) and investment in advanced metering infrastructure to 8 9 implement time varying rates (National Grid Joint Rebuttal Testimony, Bates 40 lines 15-17 and Bates 44 lines 19-21) all further support such a process. 10 11

There are other statements throughout National Grid's Rebuttal Testimony that indicate a collaborative stakeholder process to explore the benefits and costs of grid modernization would be a useful undertaking. As I noted earlier, and National Grid also stated, Rhode Island can build on the knowledge the Company has gained from its efforts and pilots in neighboring jurisdictions as well as here in Rhode Island. (National Grid Joint Rebuttal Testimony, Bates 12 lines 6-17)

18

Furthermore, in a number of places, National Grid's Rebuttal Testimony discusses additional 19 investment needed to address the "complexity" created by DER locally (National Grid Joint 20 Rebuttal Testimony, Bates 19 lines 13-14) and the costs of implementing DER, including ongoing 21 operations and maintenance expenses and billing and metering, associated with DER (National 22 23 Grid Joint Rebuttal Testimony, Bates 38 lines 16-21). National Grid goes so far to request that the Commission direct it to "develop a charge applicable to all DG customers that will recover 24 the ongoing operation and maintenance expense associated with the interconnection facilities 25 installed to serve the customer." (National Grid Joint Rebuttal Testimony, Bates 65 lines 15-18) 26 27 If these costs are new or changing, it suggests that a new allocated cost of service study

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("ACOSS") may be needed to determine what these costs are, whether they differ significantly 1 2 between DG and non-DG customers and whether redesigned rates and/or the charge that 3 National Grid describes are warranted, contrary to National Grid's assertions elsewhere that a new ACOSS is not needed. (National Grid Joint Rebuttal Testimony, Bates 17 lines 12-14) 4 5 **Complexity of National Grid's Rate Design Proposal and Alternatives** 6 Q. What is your response to the Company's Rebuttal Testimony related to the complexity of 7 its rate design proposal and the interveners' recommendations to explore alternative rate 8 9 designs? A. National Grid misses the point of my Direct Testimony regarding the complexity of its rate 10 design proposal and the consequent need for customer outreach and education compared to 11 the need for customer outreach and education to implement time varying rates. (National Grid 12 Joint Rebuttal Testimony, Bates 40 lines 16-17) Both are complex and will require significant 13 customer education efforts. In its Rebuttal Testimony, the Company acknowledges the need 14 for customer education and proposes to delay implementation of rate design changes by up to 15 a year to accomplish this education. (National Grid Joint Rebuttal Testimony, Bates 49 lines 8-16 17 16) This underscores the complexity of National Grid's rate design proposal, and the lack of an immediate need to implement rate design changes. 18 19

Furthermore, National Grid does not address the points raised in NECEC's Testimony regarding
the appropriateness of using tiered customer charges based on kWh consumption to
approximate kW demand charges. (NECEC Direct Testimony, Bates 10 line 1 to Bates 11 line 16)
Therefore, a question for the Commission that remains is whether educating customers to a
rate design that is a poor proxy for demand charges – what NG says is the ideal – is the best use
of Company and customer resources.

- 26
- 27

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Q. Has National Grid provided an estimate for the cost of its customer education efforts?

- 2 A. Yes. Despite acknowledging the complexity of its proposed rate design and offering to delay
- 3 implementation for up to a year to provide outreach and education to customers, the Company
- 4 states that it does not expect to incur significant customer outreach and education expenses.

5 (National Grid Joint Rebuttal Testimony, Bates 43 lines 7-10) On its face, this appears

- 6 inconsistent.
- 7

8 Q. Do you have any comments related to the Company's Rebuttal Testimony on the

9 interveners' proposals for alternative rate designs?

A. Yes. National Grid states that the interveners who suggested further exploration of time
varying rates did not provide "any evidence that time-varying rates are appropriate for recovery
of distribution system costs." (National Grid Joint Rebuttal Testimony, Bates 44 lines 17-18) In
response, I note that NECEC's Direct Testimony, as well as the Direct Testimony of the Rhode
Island Office of Energy Resources ("OER") and the Energy Efficiency and Resource Management
Council ("EERMC"), cited the Regulatory Assistance Project White Paper on *Smart Rate Design for a Smart Future*,² which discussed the use of time varying rates for distribution.

National Grid also states that the interveners' proposals would require the Company to take 18 "actions ... that are outside the scope of this proceeding" without addressing the merits or 19 substance of the interveners' proposals. (National Grid Joint Rebuttal Testimony, Bates 45 lines 20 20-21) Instead, the Company reiterates that its rate design proposal is a "first step" towards a 21 rate design that would move all distribution costs to fixed charges. (N. Grid Response to CLF 2-22 23 5 Bates 7) This is not a "more equitable cost recovery and rate design" as National Grid claims here; it is more of a "dead end." Again, I recognize that implementation of time varying rates 24 may require investment that is outside the scope of this proceeding but that is not an argument 25

² Lazar, J. and Gonzalez, W. (2015). *Smart Rate Design for a Smart Future*. Montpelier, VT: Regulatory Assistance Project. Available at: <u>http://www.raponline.org/document/download/id/7680</u>. Also included in Direct Testimony filed by the Energy Efficiency and Resource Management Council, Bates 33 – 130.

- 1 for adoption of a rate design that is inconsistent with the factors the Commission must take
- 2 into account and balance to determine whether any rate design changes should be made at this
- 3 time. (See RIGL §39-26.6-24.)
- 4

5 Q. Do you have any comments regarding National Grid's claim that the REG Statute provides 6 guidance that supports fixed charges?

7 A. Yes. The Company's attempt to claim that the Section 25 provision for recovery of REG

8 Program costs in a fixed charge is "guidance" that the Act supports "an increase to fixed

9 charges as a means to ensure that DG customers pay their fair share of distribution system

10 costs" is completely without merit. (National Grid Joint Rebuttal Testimony, Bates 46 lines 5-

11 13) In fact the relevant section for rate design, Section 24, states "The commission may

12 consider any reasonable rate design options, including without limitation, fixed charges,

13 minimum monthly charges, demand charges, volumetric charges, or any combination

14 thereof..." (RIGL §39-26.6-24) This clearly indicates that there is no guidance in the REG

- 15 Statute in support of fixed charges.
- 16

17 Modifications to the Tiered Customer Charge Proposal

18 Q. What is your response to the Company's Proposed Modifications to Tiered Customer

19 Charge?

A. National Grid proposes to reduce the ratchet provision in its tiered customer charge proposal
from 12 to six months or to eliminate it entirely. (National Grid Joint Rebuttal Testimony, Bates
49 lines 8-12) Changing the ratchet provision in its rate design proposal is not sufficient to
address the fundamental problems the tiered customer charge, which include using monthly
kWh usage as a proxy for demand, among other things. (*See* NECEC Direct Testimony, Bates 10
line 1 to Bates 11 line 16)

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National Grid also proposes to delay implementation of its tiered customer charge proposal to 1 2 provide customer outreach and education. (National Grid Joint Rebuttal Testimony, Bates 49 3 lines 14-16) While this offer is an attempt to address the complexity of the rate design proposal, again it is not an adequate response to its fundamental problems. 4 5 Finally, National Grid makes a third proposal or request that the Commission approve the 6 Division of Public Utilities' recommendation to move the customer charge for residential and 7 small commercial customers to the unit charges in the Company's most recent ACOSS. 8 9 (National Grid Joint Rebuttal Testimony, Bates 49 lines 18-21 to Bates 50 lines 1-5, citing Division Direct Testimony, Bates 18-20) National Grid makes this request even though it notes 10 that Division's proposal will have "more significant bill impacts on low use customers" without 11 providing any support for it or any evidence that it meets the criteria set forth in Section 24 of 12 the REG Statute. 13

14

Q. Do you have any other comments with respect to National Grid's Rebuttal Testimony on the impacts of its tiered customer charge proposal?

A. In response to a question about the impacts of its rate design proposal on low income 17 customers, National Grid offers Schedule NG-4-R as an illustration of the impact of its rate 18 design proposal on electric heating customers, showing that for this customer the proposed 19 rate design would reduce its annual bill. First, this response does not address the impact of the 20 rate design proposal on low-income customers. Second, what National Grid does not explain is 21 that this example merely shows that the effect of the reduced kWh charges that keep the rate 22 23 design proposal revenue neutral offsets the effect of higher customer charges for higher use 24 customers within a tier. (National Grid Joint Rebuttal Testimony, Bates 46 line 18 to Bates 47 line 10 and Bates 75) 25

- 26
- 27

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1 Access Fee and "Grandfathering" Proposal

Q. What is your response to National Grid's Rebuttal Testimony regarding the Access Fee?
A. National Grid's Rebuttal Testimony is not responsive to the interveners' concerns, most
notably regarding the impact of the proposed Access Fee on DER growth in Rhode Island and
the basis for the level of the proposed Access Fee. It essentially reiterates the Company's
position in its Joint Pre-Filed Direct Testimony. (National Grid Joint Pre-Filed Direct Testimony,
pages 59-64 of 68) I have already responded to these points in my Access Fee Direct Testimony.
(NECEC Access Fee Direct Testimony, pages 1-8)

10 Q. Is there anything new on the proposed Access Fee in National Grid's Rebuttal Testimony?

11 A. Yes. National Grid states that ongoing operations and maintenance costs for

12 interconnections are not covered by the Rate C-06 customer charge that stand-alone

13 generators pay and proposes to put larger stand-alone generators onto Rate G-32 rate.

14 (National Grid Joint Rebuttal Testimony, Bates 65 lines 11-18) However, National Grid has not

15 quantified these operations and maintenance costs and does not provide any support for

16 higher costs to serve these customers other than a statement about the type of metering

17 required. (National Grid Joint Rebuttal Testimony, Bates 59 lines 1-4)

18

19 Q. What do you think about National Grid's proposal to "grandfather," i.e., not apply the

20 proposed Access Fee, to some stand-alone DG customers?

A. Consistent with its October 30, 2015, letter to the Commission, the Company states that it
"would consider a 'grandfathering' proposal such that the proposed Access Fee would not apply
to the initial customer of record for a project that qualifies for and participates in the" DG
Standard Contracts Program, the REG Program, net metering or the Qualifying Facilities tariff.
(National Grid Joint Rebuttal Testimony, Bates 61 lines 3-10) The Company further explains
that projects that have a "Long-term Contracting or DG Standard Contract, which is in full force
and effect as of the date the Access Fee is approved" would qualify for grandfathering and that

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all other projects would qualify "only if a compete interconnection application for the project is
received by the Company no later than by December 31, 2016" and that projects in the REG
Program would need to have received the Certificate of Eligibility awarded by the Company or
the PUC by July 1, 2017." (National Grid Joint Rebuttal Testimony, Bates 61 lines 14-21)

5

NECEC does appreciate the offer to grandfather certain customers from the proposed Access 6 7 Fee and recognizes that the Company's offer to not apply the proposed Access Fee to certain 8 stand-alone DG customers will provide those customers with some level of certainty with 9 respect to the costs they can expect to face. Unfortunately, it does not address the fundamental issues NECEC and others have identified regarding the underlying cost basis for 10 the proposed Access Fee and the impact it will have on the still early stage DER market in Rhode 11 Island. The first issue relates to consistency with basic rate design principles and the second 12 issue relates to consistency with the purposes of the REG Statute to "facilitate and promote" 13 DER in Rhode Island. (RIGL §39-26.6-1) National Grid also proposes to exempt only the "initial 14 customer of record" for stand-alone DG projects, which narrows the category of customers 15 eligible for grandfathering and will discourage transfer of projects from one customer to 16 another. This will have a dampening effect on the development of a robust DER market in 17 Rhode Island, again contrary to the requirements of the REG Statute. 18

19

Q. Do you have any other comments on National Grid's Joint Rebuttal Testimony with respect
 to the Access Fee?

A. Yes. In what appears to be a response to a point I raised in my Direct Testimony on the
proposed Access Fee, National Grid states, "Even if the cost incurred by DG customers
associated with being assessed the Access Fee is ultimately included as part of the
compensation provided to DG customers through performance-based incentive payments, and
passes on to all other customers through the RE Growth Program cost recovery mechanism, the
Company still believes that this results in a more transparent recognition of this additional

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1	benefi	t provided to DG customers." (National Grid Joint Rebuttal Testimony, Bates 64 lines 10-
2	16) It	is difficult to see how charging stand-alone DG customers a fee and then refunding it
3	throug	h a separate payment is more transparent. It is certainly more complex for customers.
4		
5	<u>IV. CO</u>	NCLUSION AND RECOMMENDATION TO THE COMMISSION
6	Q. Wo	uld you please summarize your response to National Grid's proposed rate design
7	change	es.
8	A. Yes.	I will follow the Company's format using the six articulated balancing factors in Section
9	24 of t	he REG Statute. (RIGL §39-26.6-24) (National Grid Joint Rebuttal Testimony, Bates 66 line
10	7 to Ba	ites 68 line 19)
11	1)	The Company states that it addressed the potential benefits of DER, but National Grid
12		improperly focused its discussion on the benefits (and costs) of DER to the distribution
13		system, rather than more broadly as the legislature made clear was its intention in
14		delineating the purpose of the REG Statute. (RIGL §39-26.6-1) Moreover, the
15		legislature clearly concluded that DER would provide significant benefits to Rhode Island
16		in enacting the statute.
17	2)	The Company states that it addressed the distribution services being provided to net-
18		metered customers when their DG is not producing electricity but it has not adequately
19		documented the relationship between the services provided and the rates and fees it
20		proposes to charge.
21	3)	Despite its assertion, National Grid's proposed rate design changes are not simple,
22		understandable and transparent for all customers. The Company's offer to delay
23		implementation of the changes by up to a year is an indication of the need for
24		significant and ongoing customer outreach and education regarding its proposal.
25	4)	As I discussed in my Direct Testimony, it is not clear that the Company's proposed rate
26		design changes will result in an equitable allocation of the costs of the distribution
27		system to all customers. (NECEC Direct Testimony, Bates 7 lines 5-17) While not

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1		required for this proceeding, a new ACOSS may be needed to identify and quantify costs
2		that DER may impose on the distribution system, and then compare them to the
3		benefits of DER as required by the REG Statute.
4	5)	Similarly, National Grid has not supported its claim that the proposed rate design
5		changes are consistent with cost causation principles. (NECEC Direct Testimony, Bates 7
6		lines 14-17)
7	6)	Finally, the Company's proposal is not consistent with the general assembly's legislative
8		purposes in creating the REG Program. As I have discussed in NECEC's Direct
9		Testimonies on the tiered customer charge and Access Fee proposals and here, the
10		Company's rate design proposal does not represent a balance among the factors the
11		Commission is to take into account in determining whether to establish any new rates.
12		National Grid does not analyze the benefits and costs of DER broadly as intended by the
13		REG Statute and the Company does not balance the impacts of its rate design proposal
14		against the size of the distribution cost allocation it is intended to address.
15		
16	Q. Wh	at is your recommendation to the Public Utilities Commission?
17	A. I red	commend that the Commission not approve National Grid's tiered customer charge and
18	Access	Fee rate design proposals for the reasons discussed in my Direct and Surrebuttal
19	Testim	onies.

20

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

22 A. Yes.

CERTIFICATION

I hereby certify that on January 6, 2016, I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Luly Massaro, Commission Clerk, by electronic mail and regular mail.

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