



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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January 6, 2015

VIA FIRST CLASS MAIL AND ELECTRONIC MAIL:

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

RE: National Grid Rate Design [Docket No. 4568]

Dear Luly:

Enclosed for filing is an original and ten (10) copies of the Office of Energy Resources ("Office") Surrebuttal testimony from Commissioner Marion Gold and Jason Gifford related to the above mentioned docket.

Sincerely,

Daniel W. Majcher, Esq.

DWM/njr

Enclosure

c. Docket 4568 Service List

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF THE
NARRAGANSETT ELECTRIC COMPANY
D/B/A NATIONAL GRID (NGRID) - REVIEW
OF ELECTRIC DISTRIBUTION DESIGN
PURSUANT TO R.I. GEN. LAWS § 39-26.6-24

DOCKET NO. 4568

SURREBUTTAL TESTIMONY

OF

MARION GOLD

January 6, 2016

1 I, Marion Gold, hereby testify under oath as follows:

2 **I. Introduction**

3 **1. Please state your name, employer and title.**

4 Marion Gold, Rhode Island Office of Energy Resources (“OER”), Commissioner.

5

6 **2. What is your background and experience?**

7 I have served as Commissioner of the Rhode Island Office of Energy Resources (“OER”) since
8 August, 2012. In my capacity as Commissioner, I sit on Governor Raimondo’s Cabinet, and
9 OER serves as the lead energy policy and planning entity for Rhode Island. I also serve as the
10 Vice-Chair of the Executive Climate Change Coordinating Council (“EC4”), the Executive
11 Director of the Energy Efficiency and Resource Management Council (“EERMC”) and sit on
12 the Distributed Generation Board in an ex officio capacity. In addition, I am on the Board of
13 Directors of the Regional Greenhouse Gas Initiative (“RGGI”), serve as the Treasurer of the
14 National Association of State Energy Offices (“NASEO”) and was appointed to the State
15 Energy Advisory Board to the Department of Energy by Secretary Moniz.

16
17 Prior to my appointment as Commissioner, I was the Director of the Outreach Center at the
18 University of Rhode of Island (“URI”). At URI, I established the URI Partnership for Energy,
19 an interdisciplinary energy research and outreach program and launched the URI Energy
20 Fellows Program.

21
22 I hold a BS with honors in Natural Resource Science and Policy from the University of
23 Michigan, a MS in Environmental Economics from Michigan State University, and a Ph.D. in

1 Environmental Sciences from the University of Rhode Island.

2

3 **3. What is the purpose of your surrebuttal testimony?**

4 The purpose of my surrebuttal testimony is to respond to National Grid's pre-filed direct
5 rebuttal testimony of Mr. Zschokke, Ms. Lloyd, and Mr. Roughan.

6

7 **4. How is your testimony organized?**

8 National Grid's rebuttal testimony addresses the following topics regarding the tiered customer
9 charge component of the Company's rate design proposal: (i) the consistency of the
10 Company's proposal with the requirements of R.I. Gen. Laws § 39-26.6-24 (Section 24); (ii)
11 the recommendation for a broad stakeholder process; (iii) intervenors' objections to alleviating
12 the cross-subsidization of DG customers by non-DG customers; (iv) conclusions regarding the
13 costs and benefits of DG; (v) the "complexity" of the Company's proposed rate design; and
14 (vi) the intervenors' advocacy for time-of-use rates. My testimony contains responses to
15 National Grid's testimony organized according to these topics. Subsequently, I include an
16 explanation of OER's response to National Grid's recommendations to address intervenor
17 concerns related to the tiered customer charge proposal, and I conclude with responses to
18 National Grid's rebuttal testimony on the Access Fee.

19

20 **5. What is your summarized response to National Grid's rebuttal testimony?**

21 In our initial testimony, OER pointed out that the size of the distribution cost shift is small at
22 present and projected to grow only modestly over the next four years (by 2019 at the conclusion
23 of the Renewable Energy Growth Program). Based on the small size of the cost shift, OER

1 argued that there is no urgency for a solution at this time, especially given that National Grid
2 has not provided any compelling evidence that their proposed rate design will provide a benefit
3 of reducing distribution costs. Furthermore, implementing the proposed rate design may be
4 rash when no information has been gathered or reviewed on the costs, benefits, and timeline
5 for deploying advanced metering infrastructure (AMI) that would enable other rate design
6 options of potential future interest (e.g. time-varying rates, or TVR).

7
8 In OER's opinion, the Company has not satisfactorily addressed any of the points raised by
9 OER in our initial testimony:

10
11 **i. The Company has not made a compelling argument that an urgent solution to the**
12 **cost shift is needed at this time.**

13 In the Company's rebuttal testimony, National Grid argues that there is urgency to
14 address the distribution cost shift because the Renewable Energy Growth Program
15 statute requires action now. This is an incorrect interpretation of the REG statute. The
16 intent of the REG statute was to allow the Commission, National Grid, state agencies,
17 and other stakeholders to gather and review data on the current and forecasted scope of
18 the distribution cost shift due to increasing DG on the system, and make a reasoned
19 consideration of whether action should be taken at this time. Furthermore, although the
20 General Assembly had the opportunity to require a certain outcome, it is clear that the
21 statute does not mandate the Commission to approve National Grid's filing.

22
23 **ii. The Company has not provided compelling evidence that their proposed rate**

1 **design will actually reduce distribution costs.**

2 OER found no new information in the Company's rebuttal testimony to allay our
3 fundamental concerns that there is insufficient evidence that the tiered customer
4 charges address customer coincident peak demand, which is the driver of distribution
5 system costs.

6
7 **iii. The Company has not explained how implementing their proposed rate design**
8 **will avoid the risk of proceeding down a certain rate design path without first**
9 **gathering and adequately evaluating information on the potential of or future**
10 **timeline for AMI deployment.**

11 Again, the Company's rebuttal testimony indicates that National Grid believes there is
12 urgency to address the distribution cost shift and that the Renewable Energy Growth
13 Program statute requires action now. OER found no direct acknowledgement by the
14 Company in its rebuttal testimony of the risk of proceeding with the proposed rate
15 design without having first gathered information on the benefits, costs, and timeline of
16 any potential future AMI deployment. Furthermore, the Company has signaled that it
17 envisions its proposed rate design as a first step toward an eventual 100% recovery of
18 distribution costs through fixed charges, an outcome that has not been fully evaluated
19 or agreed upon by all stakeholders. OER maintains that pursuing this course of action
20 is not a prudent strategy and recommends that the PUC reject National Grid's proposal.

21
22 Finally, OER would like to emphasize that we see National Grid's rate design proposal as
23 posing a threat to economic development in Rhode Island's burgeoning clean energy sector—

1 a sector that is gaining momentum and supporting local job creation and business growth, while
2 reducing our reliance on more carbon-intense energy resources. Other states, such as Nevada,
3 have seen recent similar challenges to their renewable energy industries, with serious
4 subsequent consequences including the potential exit of companies from their states¹. On
5 behalf of the Raimondo Administration, which has made job creation and economic growth a
6 top priority, OER would like to stress that any future rate design changes should attempt to
7 foster, not hinder, a healthy and growing clean energy economy that will help our state achieve
8 well-established energy, economic, and environmental goals. In OER's opinion, National
9 Grid's proposed rate design does not meet this important criteria.

10
11 **II. Intervenor Perspective Regarding Consistency of Company Proposal with the Act**

12
13 **6. What is your understanding of the context and intent for Section 24 of the Act?**

14 The Renewable Energy Growth Program statute was developed and negotiated by several
15 parties including OER, the Northeast Clean Energy Council, the Conservation Law
16 Foundation, and National Grid. During development of the legislation, these parties agreed
17 that more information was needed in order to understand the costs and benefits of DG and the
18 nature and extent of the actual distribution cost shift that might result from implementation of
19 the REG Program. Section 24 of the Act was therefore included to provide an opportunity for
20 such an investigation in front of the PUC.

21

¹ <http://www.prnewswire.com/news-releases/following-anti-solar-decision-by-governor-sandovals-puc-solarcity-to-cease-nevada-sales-and-installations-fight-to-protect-customers-and-employees-300196980.html>

1 **7. What did Section 24 of the Act require specifically?**

2 R.I. General Laws § 39-26.6-24 provides three legal requirements: (1) the PUC is obligated to
3 open a docket to consider rate design, (2) National Grid is obligated to file a proposal for new
4 rates, and (3) the PUC is obligated to issue an order on the proposal.

5
6 **8. Does Section 24 of the Act require the Commission to approve the rate design proposal**
7 **submitted by National Grid?**

8 No. There is no requirement in the statute that the Commission approve the Company's filing.
9 Section 24 of the Act requires the Commission to "*consider* rate design and distribution cost
10 allocation" (emphasis added) without mandating the adoption of a new rate design (R.I. Gen.
11 Laws § 39-26.6-24(c)). Furthermore, the statute reads, in part: "The commission shall issue an
12 order in the docket by no later than March 1, 2016. Any new rates shall take effect for usage
13 on and after April 1, 2016" (R.I. Gen. Laws § 39-26.6-24(c)). If Section 24 required the PUC
14 to approve National Grid's filing, the statute would have explicitly indicated that the
15 Commission "shall approve" National Grid's filing. Furthermore, "any new rates" implies that
16 new rates might or might not be approved by the Commission.

17
18 **9. If the Commission were to reject the rate design proposal submitted by National Grid,**
19 **does Section 24 of the Act require the Commission to accept an alternate new rate design?**

20 No. As indicated above, the statute provides the Commission with flexibility to approve
21 National Grid's filing, reject National Grid's filing, not adopt any new rate design, or take
22 some other course.

23

1 **10. Does OER agree with the Company’s statement that “Clearly, Section 24 of the Act did**
2 **not contemplate ‘doing nothing.’ If the legislature had believed that the current rate**
3 **structure assured that costs would continue to be recovered fairly across all rate classes**
4 **in light of net metering and the growing DG energy sector [...] then Section 24 has no**
5 **purpose.” (Zschokke, Lloyd, and Roughan, p. 9, lines 10-15)?**

6 No. OER disagrees with the Company’s interpretation of Section 24. Section 24 states that this
7 docket shall “consider rate design and distribution cost allocation among rate classes in light
8 of net metering and the changing distribution system that is expected to include more
9 distributed-energy resources, including, but not limited to, distributed generation” (R.I. Gen.
10 Laws § 39-26.6-24(a)). OER interprets this clause and subsequent language in the Section to
11 mean that the purpose of Section 24 is to allow the Commission, state agencies, National Grid,
12 and other stakeholders to gather and review data on the current and forecasted scope of the
13 distribution cost shift due to increasing DG on the system, and make a reasoned consideration
14 of whether action should be taken at this time. The legislature clearly intended decisions to be
15 based on information and data gathered in the docket, the results of which might highlight the
16 need for changes in rate design or, perhaps, help determine that no further action was needed
17 at this time. In OER’s view, it is not reasonable to adopt National Grid’s interpretation of this
18 section of the law which, in essence, suggests that the Commission must take action regardless
19 of the data brought to bear despite the legislation having been written before any data was
20 gathered on the ultimate need for and structure of any proposed rate design. Finally, as
21 indicated above, based on OER’s participation in the development of the legislation, OER
22 believes it is not accurate to characterize Section 24 as representing strong feelings on the part
23 of the legislature to go down a certain path with rate design; in fact, based on OER’s direct

1 interactions with the bill’s sponsors, their intent with regard to this bill was strongly focused
2 on establishing a robust program for local renewable energy development in Rhode Island, not
3 necessarily establishing a new rate design for the sake of doing so. As stated in the Section 1
4 of the statute, “The purpose of this chapter is to facilitate and promote installation of grid-
5 connected generation of renewable-energy; support and encourage development of distributed
6 renewable energy generation systems...” (R.I. Gen. Laws § 39-26.6-1).

7
8 **III. Intervenor Recommendations for a Broad Stakeholder Process**

9
10 **11. National Grid states that several of the intervenors, including OER, conclude that**
11 **“Section 24 should be implemented in the context of a larger stakeholder process to**
12 **develop not only a rate proposal, but a proposal to modernize the distribution system as**
13 **well” (Zschokke, Lloyd, and Roughan, p. 10, lines 2-4). What is OER’s view on the role**
14 **that a stakeholder process might hold with regard to rate design, and grid modernization**
15 **more broadly, within the context of this docket?**

16 OER would like to clarify our view on the relationship between a stakeholder process and/or
17 grid modernization discussions and this docket proceeding. OER agrees with National Grid
18 that the intended scope of this docket is narrowly focused on a revenue neutral rate design and
19 that Section 24 does not specifically contemplate a stakeholder process on grid modernization.
20 However, OER believes that the rate design issues under consideration in this docket are
21 strongly linked larger issues of grid modernization (such as, but not limited to, potential
22 investments in advanced metering infrastructure, or AMI), and, therefore, rate design issues in
23 this docket should not be evaluated in isolation. For example, although this docket focuses on

1 a revenue neutral rate design, the issue of potential future AMI investments is necessarily
2 germane to the docket as the ultimate timing and plans for such investments would inform
3 whether it is prudent or not to go down one rate design path or another.
4

5 Therefore, as stated here and in our initial pre-filed testimony, OER requests that the
6 Commission not approve National Grid's proposal, thus satisfying the purposes of Section 24,
7 and issue an order that requires National Grid to work in good faith with relevant state agencies
8 and stakeholder parties to identify the potential of and need for alternate rate designs and other
9 mechanisms that make sense for Rhode Island consumers in light of the state's suite of energy,
10 economic, and environmental policy goals. Such discussions could consider non-revenue
11 neutral rate designs, including but not limited to those that might require AMI investment.
12 Such discussions could occur outside of the scope of Section 24 and be subject to regular
13 reporting to the Commission. As National Grid states, "the Act does not preclude the Company
14 or the PUC from investigating topics relating to modernizing the distribution system [or]
15 investigation of advanced metering applications or more sophisticated rate design proposals
16 outside of this docket" (Zschokke, Lloyd, and Roughan, p. 11, lines 17-20).
17

18 **IV. Intervenor Opposition to Alleviating Cross Subsidization of DG Customers by Non**
19 **DG Customers at This Time**
20

21 **12. OER and others have argued that there is no urgency to establish new rates because the**
22 **distribution cost shift is very small at present and projected to rise only modestly over**
23 **the course of the REG program during the next four years. National Grid contends that**

1 **this belief contradicts the intent of Section 24 of the Act because the statute includes a**
2 **specific timeframe for implementing any new rates approved in this docket. Does OER**
3 **agree?**

4 No. OER agrees that the statute sets a specific timeframe for the Commission to issue an order
5 in this docket. However, as indicated above, Section 24 does not require the Commission to
6 approve any proposed rate design, nor does it “express [the legislature’s] intent for the PUC to
7 implement new rates in early 2016” (Zschokke, Lloyd, and Roughan, p. 13, lines 10-11).
8 Rather, through Section 24, the General Assembly requires a thorough examination of National
9 Grid’s rate design proposal, but does not require the PUC to approve any specific filing. By
10 providing the Commission with this flexibility, Section 24 in the Act allows for a consideration
11 and understanding of the data at hand, and then a reasoned response to that data, as well as
12 stakeholder response to that data.

13
14 **13. National Grid states “a strong program to promote renewable DG by a state or country**
15 **will result in a swift acceleration in use of distributed renewable generation”. (Zschokke,**
16 **Lloyd, and Roughan, p. 13, lines 12-14). Does OER agree that this is a reasonable**
17 **argument for addressing the cost shift at this time?**

18 No. This argument is flawed because the amount of renewable energy that will be added to the
19 distribution system between now and 2019 is already defined under the Renewable Energy
20 Growth Program, and the associated cost shift has been estimated and presented in National
21 Grid data responses. There is not a definitive projection over this time span for systems
22 projected to be installed in Rhode Island under net metering that OER is aware of, but
23 historically the net metering program in Rhode Island has resulted in a much smaller amount

1 of developed renewable energy capacity than is forecasted under the Renewable Energy
2 Growth Program. Using the data presented in National Grid's data responses, OER
3 demonstrated in its initial testimony that the current and forecasted cost shift associated with
4 the defined MW capacity to be installed under the REG Program is small now and modest over
5 the course of the program. Other parties including Acadia Center and the Northeast Clean
6 Energy Council also presented arguments in their pre-filed direct testimonies demonstrating
7 that the current and forecasted cost shift is small currently and modest in the near future
8 (Anthony, p. 11 and Besser, p. 12-13).

9
10 **14. National Grid claims that energy efficiency and renewable energy “initiatives” “are not**
11 **related to the provision of electric delivery and commodity service” (Zschokke, Lloyd,**
12 **and Roughan, p. 14, lines 2-3). What are your thoughts about this claim?**

13 This is not a factual statement, nor is it consistent with Rhode Island law. Energy efficiency,
14 for example, is one of the state's most important resources for meeting our electric supply
15 needs. According to the 2015 Energy Efficiency and Resource Management Council
16 (EERMC) Annual Report, Rhode Island is currently on track to meet 17% of its electricity
17 consumption through efficiency by 2017 (p. 4)². Energy efficiency provides measured and
18 verified benefits for electric transmission and distribution as well as supply. The State's Least-
19 Cost Procurement statute treats energy efficiency and other customer resources as energy
20 supply resources, and in fact, Rhode Island law requires National Grid to “take into account
21 plans and orders with regard to system reliability and energy efficiency and conservation

² http://www.rieermc.ri.gov/documents/annual/5_EERMC%20April%202015.pdf

1 procurement” during development of its supply procurement portfolio (R.I. Gen. Law § 39-1-
2 27.8). Therefore, OER finds the Company’s artificial distinction between “Commodity and
3 Delivery Service” and other “Public Policy Programs” to be misleading and fundamentally at
4 odds with Rhode Island’s statutory approach to least-cost resource acquisition.

5
6 **15. National Grid provides an example of an electric bill for a typical 500 kWh residential**
7 **A-16 customer and states that such a customer “currently pays in excess of \$10.00 per**
8 **month for costs related to the support of renewable energy, energy efficiency, and**
9 **subsidies to other rate classes” (Zschokke, Lloyd, and Roughan, p. 14, lines 6-7). National**
10 **Grid then states that the distribution cost shift “must be viewed in light of the current**
11 **contributions that customers are already making to fund the facilitation of the**
12 **development of renewable energy and other initiatives designed to further state policy**
13 **goals” (Zschokke, Lloyd, and Roughan, p. 14, lines 9-12). Do you agree?**

14 No. OER finds this statement erroneous and not consistent with Section 24 of the Act which
15 clearly states the factors that the Commission must take into account. The list of factors does
16 not include customer contributions to fund the State’s renewable energy or other energy
17 policies. Furthermore, it is inaccurate to characterize “the support of renewable energy [and]
18 energy efficiency” as simply “costs”. Customers benefit, either directly or indirectly, from
19 these investments. In fact, in some cases—as with energy efficiency, these investments are the
20 least-cost component of a consumer’s electric bill.

21
22 **16. National Grid states that “Commissioner Gold implies that rate changes driven by efforts**
23 **to modernize the distribution system are imminent” (Zschokke, Lloyd, and Roughan, p.**

1 **15, lines 18-19). What is your response to this statement?**

2 OER feels that this statement is a mischaracterization of its initial testimony. In its initial
3 testimony, OER stated that “the absence of information relative to the potential timetable for
4 AMI transition carries significant risks in relation to this proceeding [because if a study on the
5 potential, costs, and benefits of AMI investment in Rhode Island] indicated it could be cost-
6 effective within a relatively short timeframe [...] it might be determined that it is preferable to
7 defer the interim costs of the distribution cost shift” (Gold, p. 6). It is important to have the
8 opportunity to gather and review pertinent information when making any decision that could
9 have potentially significant impacts. Thus, just as OER strongly believes that it was prudent to
10 understand the magnitude of the distribution cost shift before determining what action should
11 be taken, OER believes it is also prudent to understand the potential, costs, and benefits of
12 AMI as the state considers new rate designs for energy consumers. OER does not dispute
13 National Grid’s statement that a “period of time is necessary to discuss the nature and extent
14 of grid modernization efforts” (Zschokke, Lloyd, and Roughan, p. 15, line 21 – p. 16, line 1).
15 Furthermore, OER does not know whether rate changes driven by efforts to modernize the
16 distribution system are imminent or not. Nonetheless, OER believes it is crucial to gain a sense
17 of the future timeline for potential changes regarding grid modernization investments, such as
18 AMI, in order to make informed decisions about rate design today.

19

20 **V. Intervenor Conclusions Regarding the Costs and Benefits of Distributed Generation**

21

22 **17. National Grid notes that it took several years to develop the grid modernization proposal**
23 **submitted by the Company’s affiliates in Massachusetts (Zschokke, Lloyd, and Roughan,**

1 **p. 16, footnote 8). What is your response to this note?**

2 In 2014-15, OER worked with representatives from National Grid, the EERMC, and the DG
3 Board to outline an approach to “systems integration” in Rhode Island³. This systems
4 integration framework contemplates an incremental, topic-by-topic approach to grid
5 modernization discussions in Rhode Island. Based on the proposed systems integration
6 framework, it is possible that grid modernization discussions could proceed differently than
7 Massachusetts.

8
9 **VI. Intervenor Allegations Regarding Complexity of Proposed Rate Design**

10
11 **18. National Grid states that it should not be necessary “to communicate to customers in real
12 time when the customer may be approaching the threshold of the next tier and its higher
13 customer charge [...and that based on their usage history] customers will be reasonably
14 able to anticipate which months are likely to have the customer’s maximum usage and
15 will know that it will be necessary to be conscious of electricity usage throughout the
16 month and not just when they are approaching a tier threshold” (Zschokke, Lloyd, and
17 Roughan, p. 42, lines 1-8). Do you agree?**

18 No. Increasing the fixed portion of a customer’s bill (through the tiered charges) reduces a
19 customer’s ability to manage their bill, especially if they are not provided with timely
20 information or tools to avoid moving to a higher tier. Receiving 13 months of usage history on
21 their monthly bill does not provide customers with sufficient information or tools to know if

³<http://www.energy.ri.gov/documents/siri/Systems%20Integration%20Rhode%20Island%20DRAFT%20Vision%20Document%202015.11.19%20FINAL.pdf>

1 they are in danger of approaching a tier threshold in the current month and, if so, how to
2 manage that potential change. Furthermore, National Grid's proposed rate design offers
3 customers no access to information about when their usage is coinciding with system or circuit
4 peaks. This contradicts National Grid's stated premise that establishing the tiered charges will
5 have customers contribute their fair share to distribution costs (Zschokke and Lloyd, p. 13,
6 lines 12-15), because it is only a customer's coincident demand (kW) that adds to incremental
7 distribution system costs (other than those costs such as an individual line-drop that are
8 captured in the customer charge).

9
10 **VII. Intervenor Advocacy for Time-of-Use Rates**

11
12 **19. National Grid states that “none of the intervenors have provided any evidence that time-
13 varying rates are either appropriate for distribution system rates or are superior to the
14 Company's proposed design” (Zschokke, Lloyd, and Roughan, p. 44, lines 17-19). Do you
15 agree?**

16 No. In our initial pre-filed testimony, OER submitted the publication, “Smart Rate Design for
17 a Smart Future”, authored by Jim Lazar and Wilson Gonzalez of the Regulatory Assistance
18 Project (“RAP”) as evidence. As an example, Lazar and Gonzalez note that because traditional
19 demand charges (or tiered fixed charges as National Grid has proposed) “are measured on the
20 basis of the individual customer's peak, regardless of whether it coincides with the peaks on
21 any portion of the system, this approach inevitably results in a mismatch between the costs
22 incurred to serve the customer and the prices charged if the customer's peak is non-coincident
23 with the system peak [...] A few rate analysts have recommended that demand charges be

1 extended from large commercial customers [...] to small commercial and residential
2 consumers [...] This option is inapt for most situations for several reasons. The only
3 distribution system component sized to individual customer demands is the final line
4 transformer. The relatively small portion of cost of service represented by the line transformer
5 required to serve solar customers amounts to only about \$1/kW/month [...] **Time-**
6 **differentiated prices** can more equitably recover costs that are actually peak-oriented from all
7 customers, including solar customers” (emphasis in original) (Lazar and Gonzalez, p. 9). This
8 is one sample from the “Smart Rate Design” publication, which overall provides support that
9 time-differentiated prices are superior options over fixed charges for equitably recovering
10 distribution costs as well as communicating price signals.

11
12 **20. National Grid states that “the Company’s proposal to implement a tiered customer**
13 **charge based on a customer’s maximum monthly usage will encourage customers to use**
14 **less energy at all times, but specifically during high use months. Because most customers**
15 **tend to consume most of their monthly energy requirements during peak periods, any**
16 **efforts by customers to reduce overall usage will most likely reduce peak use” (Zschokke,**
17 **Lloyd, and Roughan, p. 45, lines 9-14). Do you agree?**

18 No. National Grid has provided no evidence that a tiered customer charge will encourage
19 customers to use less energy at all times, nor specifically during high use months. Furthermore,
20 National Grid has not provided evidence that most customers tend to consume most of their
21 monthly energy requirements during peak periods. As stated in OER’s initial testimony,
22 National Grid’s proposed tiered customer charge structure appears to rest on the following four
23 assumptions, none of which are supported with sufficient evidence by National Grid:

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i. A customer’s maximum hourly demand (kW) during the year corresponds to that customer’s maximum monthly usage (kWh) during the year.

National Grid bases this conclusion off of the load research data presented in Schedule NG-7 of the Company’s pre-filed testimony. It is not clear whether the data represents a sufficient sample size and whether the R² value indicates that there is a statistically significant correlation between maximum hourly demand (kW) during the year and maximum monthly usage (kWh) during the year.

ii. A customer’s maximum hourly demand (kW) during the year occurs during the same month when that customer’s maximum monthly kWh usage (kWh) occurs.

National Grid has not provided sufficient data to support the contention that a customer’s maximum hourly demand (kW) during the year occurs during the same month when that customer’s maximum monthly kWh usage (kWh) occurs.

iii. If a customer reduces kWh usage during their month of maximum use, they will also reduce their maximum kW in that month.

Under the proposed rate design, National Grid would not provide customers with any information about the level and timing of their use during the month. Therefore, customers may reduce their total kWh during their month of highest use, but not necessarily their maximum kW during that same month. In order to reduce distribution costs, customers must reduce maximum kW; simply reducing total kWh during the month does not matter if a customer does not reduce kW consumption at their point of

1 peak demand during that same month.

2
3 **iv. The maximum kW use of individual customers has a direct impact on overall**
4 **distribution costs.**

5 The only case in which an individual customer can help reduce overall distribution
6 costs is if the customer's individual peak demand is coincident with system or circuit
7 peak demand. However, National Grid's proposed rate design does not in any way
8 target the reduction of coincident customer peak demand specifically, nor provide
9 customers with any information or ability to address their coincident peak demand
10 specifically.

11
12 **21. National Grid states that “the Company considers this proposal as a first step towards**
13 **more equitable cost recovery and rate design” (Zschokke, Lloyd, and Roughan, p. 45,**
14 **lines 15-17). What is your response to this statement?**

15 Throughout National Grid's rebuttal testimony, the Company asserts that other rate design
16 options, such as time-varying rates (TVR), are off the table for consideration in this docket
17 because Rhode Island currently lacks the necessary advanced metering infrastructure (AMI) to
18 implement such rate designs. National Grid is correct that rate designs that require AMI
19 investment would not represent a revenue neutral rate design and may therefore be in conflict
20 with the revenue-neutral requirements of Section 24. However, in its initial testimony, OER
21 argued that there is a significant risk of proceeding with the rate design proposed by National
22 Grid when the potential, benefits, and costs of alternative rate design options such as TVR are
23 unknown. This is because the steps taken in this docket have a bearing on the direction that

1 Rhode Island heads and the path it takes.

2

3 In National Grid’s data response to CLF 2-5, the Company envisions its proposed rate design
4 as a first step toward an eventual 100% recovery of distribution costs through fixed charges.
5 Therefore, using National Grid’s own representations about their proposal, the rate design
6 before the Commission today is not simply a “first step”. Rather, it is a calculated pivot toward
7 an uncertain future—a future that none of the intervening state agencies or stakeholders, nor
8 the Commission or utility itself—have fully considered or comprehended based simply on the
9 proposal and subsequent evidence submitted during this proceeding. It is just and reasonable—
10 and permitted under the law—for the Commission to allow the utility, state agencies, and
11 stakeholder parties to carefully consider that future in light of Rhode Island’s energy,
12 economic, and environmental policy landscape, as well as bring to bear the full suite of
13 regulatory and technological tools at our collective disposal, while balancing consumer
14 impacts.

15

16 Moreover, National Grid’s movement toward 100% recovery of distribution costs through
17 fixed charges is inconsistent with the approved Rhode Island State Energy Plan⁴. The State
18 Energy Plan envisions an energy future where distributed energy resources, such as energy
19 efficiency and DG, play a large role in meeting energy needs. For example, the first two
20 policies recommended by the Plan are to “maximize energy efficiency in all sectors” and
21 “promote local and regional renewable energy” (p. 56). It has been demonstrated in this

⁴ <http://www.planning.ri.gov/documents/LU/energy/energy15.pdf>

1 proceeding that fixed charges can ultimately reduce the ability of consumers to manage their
2 energy bills through EE and discourage DG (e.g. Anthony, p. 5-6; Parker, p. 9; and Golin, p.
3 11-12).

4
5 **VIII. National Grid Recommendations to Address Intervenor Concerns Related to the**
6 **Tiered Customer Charge Proposal**

7
8 **22. National Grid provides alternative proposals for the PUC to consider, including reducing**
9 **the proposed 12 month ratchet to six months or eliminating it entirely; delaying the**
10 **implementation of the tiered customer charge for up to one year; or approving the**
11 **alternative recommendation offered by the Division of Public Utilities and Carriers.**
12 **What would OER recommend to the PUC regarding these alternative options for rate**
13 **design implementation in this docket proceeding?**

14 OER strongly believes that a tiered customer charge—with a ratchet or without—is a
15 suboptimal solution for Rhode Island and its ratepayers. In this proceeding, National Grid has
16 failed to provide compelling evidence that a tiered customer charge provides any benefits or
17 reduces overall distribution system costs. Furthermore, National Grid’s offer to eliminate the
18 ratchet is entirely inconsistent with their claim in their original pre-filed testimony that a 12
19 month ratchet is needed because “the cost of the distribution system is fixed in the near term
20 [...therefore] using the customer’s maximum monthly kWh use to determine their customer
21 charge for the following 12 months results in more equitable recovery from customers and
22 better reflects the concept of cost incurrence” (Zschokke and Lloyd, p. 37, lines 2-11).

1 OER recommends against adopting the alternative recommendation offered by the Division.
2 As indicated throughout our surrebuttal, the data provided on the extent of the cost shift has
3 not demonstrated a “problem” that is significant enough to merit urgent action at this time.
4

5 **IX. Access Fee**

6
7 **23. In response to Ms. Carpenter’s testimony, National Grid states that that there is no**
8 **evidence that an Access Fee will result in an escalation of ceiling prices (Zschokke, Lloyd,**
9 **and Roughan, p. 62, lines 9-12). Is this an accurate statement?**

10 No. Sustainable Energy Advantage’s (SEA) *October 2015 Rate Design Memorandum* provides
11 evidence that applying an Access Fee would have raised ceiling prices under the Distributed
12 Generation Standard Contracts and Renewable Energy Growth Programs. SEA’s analysis
13 showed that the ceiling prices, when including an Access Fee, would result in an increase
14 between 2.2 and 20 percent depending on the renewable energy technology and system size
15 eligible under the Distributed Generation Standard Contracts and Renewable Energy Growth
16 Programs.

17
18 **24. National Grid proposes that if the PUC determines that the Access Fee is not appropriate,**
19 **the Commission could consider an alternative option to change the rate class that**
20 **standalone renewable energy facilities would fall under (Zschokke, Lloyd, and Roughan,**
21 **p. 65, lines 11-15). Does OER support this proposal?**

22 No. OER does not support this proposal for the same reasons that OER and other intervening
23 parties are opposed to National Grid’s Access Fee: the utility hasn’t provided sufficient

1 analysis, including but not limited to: cost and benefit information on this alternate rate class
2 being applied to standalone renewable energy facilities, or impacts on public entity net-metered
3 projects currently being developed by municipalities, quasi-state agencies, or universities.
4

5 **25. National Grid requests that the PUC direct National Grid to develop a charge applicable**
6 **to all DG customers that will recover the ongoing operation and maintenance expense**
7 **associated with the interconnection facilities installed to serve the customer (Zschokke,**
8 **Lloyd, and Roughan, p. 65, lines 15-18). Does OER support this proposal?**

9 No. This proposal by National Grid is much broader than the Access Fee proposal. OER and
10 other intervening parties would be opposed to such a proposal that targets and assigns
11 additional costs to all scales of renewable energy development in Rhode Island without a
12 detailed cost and benefit study, including but not limited to impacts on ratepayers and the
13 state's Net Metering and Renewable Energy Growth Programs.
14

15 **26. National Grid has offered to grandfather in existing and pending Renewable Energy**
16 **Growth, Distributed Generation Standard Contract and Net-Metered projects from the**
17 **proposed Access Fee. What is OER's reaction to this proposal?**
18

19 OER remains strongly opposed to National Grid's proposed Access Fee for renewable energy
20 projects in future years. However, if the Commission were to approve the utility's request
21 despite opposition from OER and other inventing parties, OER would strongly encourage the
22 Commission to grandfather existing and pending projects.
23

1 X. Conclusion

2

3 27. Does this conclude your testimony?

4 Yes it does.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF THE
NARRAGANSETT ELECTRIC COMPANY
D/B/A NATIONAL GRID (NGRID) - REVIEW
OF ELECTRIC DISTRIBUTION DESIGN
PURSUANT TO R.I. GEN. LAWS § 39-26.6-24

DOCKET NO. 4568

SURREBUTTAL TESTIMONY

OF

JASON GIFFORD

January 6, 2016

1 I, Jason Gifford, hereby testify under oath as follows:

2 **1. Please state your name, employer, and title.**

3 My name is Jason Gifford. I am a Senior Director at Sustainable Energy Advantage, LLC
4 (“SEA”).

5

6 **2. Have you previously submitted testimony in this Docket?**

7 Yes, I previously submitted testimony dated October 23, 2015 and November 23, 2015.

8

9 **3. Mr. Gifford, what was the purpose of your testimony to the Commission in this**
10 **Docket?**

11 In my Direct Testimony related to Access Fee issues submitted on November 23, 2015, I
12 state that the “memo is provided to identify topics for further consideration, and provide
13 general support for the Commission’s informed decision-making on this topic.”

14

15 **4. In their rebuttal testimony, the Company’s witnesses state that you “implied” that a**
16 **lower consolidated cost of capital was “a bad thing”. Was this your goal?**

17 No. What the memorandum attached to our initial direct testimony stated is that a lower
18 consolidated cost of capital (relative to the likely cost of capital in the absence of the
19 requested rate change) may result, but the benefits would not be realized by customers
20 “without explicit action in a rate case”. My goal was to identify one of several factors for
21 the Commission to consider.

22

23 **5. The Company’s witnesses also stated that your testimony was that a lower**

1 **consolidated cost of capital would “violate the revenue neutrality of the design”. Is**
2 **this your testimony?**

3 No, it does not. The memorandum submitted October 23 with my initial Direct Testimony
4 states that the Company’s request “*could* (emphasis added) result in impacts that are
5 revenue-positive for the company beyond the test year.” To clarify further, if the
6 Company’s rate proposal were to reduce ratepayer investment in efficiency or renewables,
7 relative to the level of investments under the current rate design, sales and revenue might
8 increase in relative terms. Should actual sales exceed the level of sales assumed in
9 determining the revenue-neutrality of the changed rates, further analysis might show a
10 revenue-positive impact. Neither the memorandum nor my follow-up testimony should be
11 construed as offering a firm conclusion on the inevitability of such an outcome, or a policy
12 recommendation predicated on such a potential outcome. Rather, as I further note in my
13 November 23 testimony, “arriving at any conclusions related revenue neutrality or credit
14 rating impact would require substantial, further study. SEA’s intent is to offer topics for
15 discussion rather than conclusions.”

16
17 **6. Does this conclude your testimony?**

18 Yes, it does.