



Via Electronic Mail and First Class Mail

August 8, 2017

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

RE: Docket No. 4605 – National Grid’s Proposed Standard Offer Service Rates Pursuant to 2017 Service Procurement Plan

Dear Ms. Massaro,

Enclosed please find 10 copies of the Rhode Island Business Coalition’s comments regarding Docket No. 4605 – National Grid’s Proposed Standard Offer Service Rates Pursuant to 2017 Service Procurement Plan.

Please do not hesitate to contact the Rhode Island Business Coalition (communications@ribusinesscoalition.com) if you have any questions or require additional information. Thank you.

Sincerely,

The Rhode Island Business Coalition

Enclosure



TO: The Rhode Island Public Utilities Commission
FROM: The Rhode Island Business Coalition
DATE: August 8, 2017
SUBJECT: Docket No. 4605 – National Grid’s Proposed Standard Offer Service Rates Pursuant to 2017 Service Procurement Plan

The undersigned members of the Rhode Island Business Coalition¹ wish to express our opposition to National Grid’s proposed 53 percent electric rate increase now pending before the Public Utilities Commission. Rhode Island already has the fourth highest average electricity rate for all sectors in the country, according to the most recent data available from the U.S. Energy Information Administration.² If approved, the new rate would also be the highest customers have seen in the past two years.³ These high rates place a heavy burden on Rhode Island residents and businesses, which must compete regionally, nationally, and internationally. Another rate hike is a step in the wrong direction when it comes to making Rhode Island a more attractive and competitive place to live, work, and do business.

The members of the Rhode Island Business Coalition understand that National Grid’s proposed rate increase is driven by high prices in the regional energy market, which are, in turn, partly driven by the recent retirement of several major power plants in New England. These retirements reduce the region’s energy generating capacity, leading to an increase in wholesale electricity prices. According to ISO-New England (ISO-NE):

More than 42,000 megawatts (MW) – an amount equal to almost 15% of the region’s current generating capacity – will have shut down between 2012 and 2020...The upcoming closures of just two of those resources...will remove 2,220 MW of non-gas-fired capacity. Over 5,500 MW of additional oil and coal capacity are at risk for retirement in the coming years, and uncertainty surrounds the future of 3,300 MW from the region’s remaining nuclear plants.⁴

¹ The Rhode Island Business Coalition is a diverse group of business and employer associations, committed to the adoption and implementation of public policies that improve Rhode Island’s economic competitiveness and the overall business climate.

² U.S. Energy Information Administration, State Electricity Profiles, January 17, 2017, <https://www.eia.gov/electricity/state/>.

³ Alex Kuffner, “National Grid Seeking 53-Percent Rate Hike,” *The Providence Journal*, July 26, 2017, <http://www.providencejournal.com/news/20170726/national-grid-seeking-53-percent-rate-hike>.

⁴ ISO-New England, “Regional Electricity Outlook: Retirement of Non-Gas-Fired Power Plants,” <https://www.iso-ne.com/about/regional-electricity-outlook/grid-in-transition-opportunities-and-challenges/power-plant-retirements>.

In addition to declining regional generating capacity, inadequate natural gas infrastructure also contributes to higher energy costs. According to ISO-NE, reliance on natural gas has increased over time, making it the dominant fuel used to produce electricity in the region. In 2000, natural gas accounted for approximately 15.0 percent of the region’s electricity production;⁵ by 2016, that number more than tripled to 49.3 percent.⁶ The shift to natural gas has been beneficial to Rhode Island and the New England region in many ways. For example, natural gas is relatively clean-burning compared to other fossil fuels, contributing to a long-term decline in air emissions; and natural gas prices are typically lower than other fossil fuel types, helping to keep energy prices lower in the region.⁷

However, according to ISO-NE, pipeline development has not kept pace with demand for natural gas, and in the last few years, “a number of factors – most notably, inadequate infrastructure for transporting natural gas – have been affecting the ability of natural-gas-fired plants to get the fuel they need to perform.” During the winter months, existing pipelines that bring natural gas into New England have been running at or near capacity, creating a number of concerns for the region. For example, inadequate supply of natural gas can put the reliability of the electricity supply at risk; can create price volatility and cause wholesale electricity prices to rise; and can increase regional emissions during the winter, when the (un)availability and/or price of natural gas forces ISO to turn to other, less efficient fuel sources for electricity production.⁸

The impact of inadequate natural gas infrastructure on price is not insignificant. Increasing natural gas production from the Marcellus Shale and moderate winter weather helped drive down the price of natural gas and wholesale electricity in New England over the 2008-2012 period. However, when pipelines into the region began running at full capacity in the winter of 2012/2013 due to increased demand and a particularly cold winter, New England experienced some of the highest natural gas prices (and, by extension, wholesale electricity prices) in the country. Those winter price spikes continued through the winter of 2014/2015, when natural gas and wholesale energy prices climbed higher than they had been in at least a decade. Although mild temperatures and low demand allowed prices to return to lower levels during the summer and winter of 2015/2016, inadequate infrastructure means prices are expected to spike again as soon as we experience another particularly cold season.⁹ A report commissioned by the New England Coalition for Affordable Energy estimates that inadequate energy infrastructure costs New England an

⁵ ISO-New England, “Regional Electricity Outlook,” <https://www.iso-ne.com/about/regional-electricity-outlook/grid-in-transition-opportunities-and-challenges/natural-gas-infrastructure-constraints>.

⁶ ISO-New England, “Key Grid and Market Stats: Resource Mix,” <https://www.iso-ne.com/about/key-stats/resource-mix>.

⁷ ISO-New England, “Regional Electricity Outlook,” <https://www.iso-ne.com/about/regional-electricity-outlook/grid-in-transition-opportunities-and-challenges/natural-gas-infrastructure-constraints>.

⁸ ISO-New England, “Regional Electricity Outlook,” <https://www.iso-ne.com/about/regional-electricity-outlook/grid-in-transition-opportunities-and-challenges/natural-gas-infrastructure-constraints>.

⁹ ISO-New England, “Key Grid and Market Stats: Markets,” <https://www.iso-ne.com/about/key-stats/markets>.

additional \$7.5 billion over the last three winters alone,¹⁰ with expected additional net energy costs totaling \$5.4 billion over the 2016-2020 period if infrastructure is not expanded.¹¹

Addressing these issues – declining energy generating capacity and inadequate natural gas infrastructure – is critical for ensuring a stable, reliable, and affordable supply of electricity in New England. Average annual heating and electricity costs for New England households are already on average \$400 more expensive than the rest of the United States, and failing to address infrastructure needs only ensures energy prices will continue to rise for individuals, families and businesses in Rhode Island. National Grid’s proposed 53 percent rate hike is just the beginning of the increases in energy prices Rhode Island rate payers are likely to see if these issues are not addressed.

Therefore, the Rhode Island Business Coalition respectfully urges the Public Utilities Commission, along with the Division of Public Utilities and Carriers, the Energy Facility Siting Board, the state Department of Energy Resources, and other key stakeholders and policymakers to work together to develop a comprehensive energy policy that will immediately begin to address these issues. It is imperative that the state work to ensure a stable, reliable, and affordable energy supply to safeguard the health and well-being of Rhode Island residents and families, as well as the success of Rhode Island’s businesses and economy.

Sincerely,

American Council of Engineering Companies, Rhode Island – Marcel A. Valois, Executive Director

Central Rhode Island Chamber of Commerce – Lauren Slocum, President/CEO

East Bay Chamber of Commerce – Suzanne Munroe

East Greenwich Chamber of Commerce – Steven Lombardi

East Providence Area Chamber of Commerce – Laura A. McNamara, Executive Director

The Energy Council of Rhode Island – Doug Gablinske, Executive Director

National Federation of Independent Business – Christopher Carlozzi, State Director

Newport County Chamber of Commerce – Erin Donovan-Boyle, Executive Director

North Kingstown Chamber of Commerce – Kristin Urbach, Executive Director

Northern Rhode Island Chamber of Commerce – John C. Gregory, President/CEO

Rhode Island Association of Mortgage Bankers – Dean Harrington, President

¹⁰ New England Coalition for Affordable Energy, “Affordability,” <http://www.neaffordableenergy.org/content.aspx?page=Affordability>.

¹¹ La Capra Associates, Inc. and Economic Development Research Group, prepared for the New England Coalition for Affordable Energy, *The Economic Impacts of Failing to Build Energy Infrastructure in New England*, August 25, 2015, <http://media.gractions.com/5CC7D7975DFE1335100A9E9B056042840005CCF0/25e72b85-c007-4b98-a851-8b31563c9559.pdf>.

Rhode Island Association of REALTORS® – Philip Tedesco, CEO

Rhode Island Builders Association – John V. Marcantonio, Executive Director

Rhode Island Hospitality Association – Dale J. Venturini, President/CEO

Rhode Island Lumber and Building Materials Dealers Association – Ashley E. Ranslow,
Manager of Government Affairs

Rhode Island Manufacturers Association – David M. Chenevert, Executive Director

Rhode Island Small Business Economic Summit – Gary Ezovski, Regulations Committee
Chairman

Rhode Island Small Business Economic Summit – Grafton Willey, Tax and Budget Committee
Chairman

Rhode Island Society of Certified Public Accountants – Robert A. Mancini, President

Smaller Business Association of New England (SBANE) – Robin L. Main, Chair; Ralph
Coppola, Chair SBANE RI Government Affairs Committee

Southeastern New England Defense Industry Alliance – Molly Donohue Magee, Executive
Director

Southern Rhode Island Chamber of Commerce – Elizabeth Berman, Executive Director