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June 5, 2018

BY U.S. MAIL AND ELECTRONIC MAIL

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

Re: Docket No. 4780

Dear Ms. Massaro:

On behalf of Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Solar (collectively, "Direct Energy"), enclosed please find an original and nine copies of the Pre-Filed Direct Testimony of Frank Lacey in Support of a Global Settlement on behalf of Direct Energy, and a certificate of service.

Thank you for your attention to this matter. Please do not hesitate to contact me if you have any questions.

Very truly yours,



Ryan M. Murphy

RMM

Enclosures

cc: Docket 4780 Service List (*via electronic mail*)

CERTIFICATE OF SERVICE

I certify that on June 5, 2018, the Pre-Filed Direct Testimony of Frank Lacey in Support of a Global Settlement on behalf of Direct Energy were served via U.S. Mail and electronic mail on the Clerk of the Rhode Island Public Utilities Commission, and on the service list via electronic mail.

/s/ Ryan M. Murphy _____
Ryan M. Murphy

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770 and 4780
Witness: Frank Lacey**

PRE-FILED DIRECT TESTIMONY OF

FRANK LACEY

ON BEHALF OF

DIRECT ENERGY

IN SUPPORT OF A GLOBAL SETTLEMENT AGREEMENT

JUNE 5, 2018

1 **Q. YOUR DIRECT TESTIMONY WAS ADVERSE TO NATIONAL GRID'S**
2 **PROPOSALS ON MANY FRONTS. CAN YOU PLEASE EXPLAIN WHY**
3 **YOU NOW SUPPORT A SETTLEMENT IN THESE PROCEEDINGS?**

4 A. Certainly. Direct Energy voiced several concerns with National Grid's proposals.
5 In general, Direct Energy's concerns were addressed in the proposal in one of four
6 ways: 1) the proposals that caused concern have been removed from the
7 Settlement Agreement and National Grid has agreed not to pursue those
8 proposals; 2) the proposals have been resolved to the full agreement of Direct
9 Energy; 3) the most significant policy concerns raised by Direct Energy will be
10 addressed in future proceedings; or 4) the proposals have been modified such that
11 the impact on competitive markets has been mitigated in a manner that Direct
12 Energy believes it can continue to compete effectively in Rhode Island.

13 **Q. COULD YOU PLEASE PROVIDE SPECIFIC EXAMPLES THAT**
14 **DEMONSTRATE WHY DIRECT ENERGY'S CONCERNS HAVE BEEN**
15 **MITIGATED?**

16 A. Yes. I raised substantial questions about the "role of the utility" in my testimony.
17 While that general question is still on the table, it will largely be addressed in
18 subsequent dockets related to grid modernization and advance metering
19 functionality. Several aspects of National Grid's PST that were, in my opinion,
20 outside the scope of the functions and core responsibilities of a distribution utility,
21 have largely been removed or corrected in the Utility's plan for the next three
22 years as outlined in the Settlement Agreement. For example, National Grid had
23 proposed several different electricity rates in its original PST. These included
24 regulated rates for EV charging stations, several different standard offer service

1 offerings and the development of “other rates” in the future. None of those other
2 rates are included in the three-year Settlement Agreement. As end-use customers
3 already have access to a plethora of pricing options from the competitive retail
4 electricity market, Direct Energy believes that eliminating these alternative rates
5 being charged by the distribution utility is in the public interest and benefits
6 ratepayers in Rhode Island.

7 **Q. HAVE YOUR CONCERNS WITH UTILITY OWNERSHIP OF SOLAR**
8 **ENERGY RESOURCES BEEN ADDRESSED?**

9 A. Yes. The Utility is not planning to invest in solar resources under the terms of
10 this Settlement Agreement. Direct Energy believes that not having the Utility be
11 the owner of any distributed energy resources, including solar is in the public
12 interest. The competitive market is flush with solar energy providers and
13 customers have many options for accessing solar power. Moreover, I believe this
14 Settlement Agreement allows the Utility to focus its core resources on grid
15 reliability, resiliency and safety, and not be distracted by market issues and
16 unnecessary market risks.

17 **Q. YOU ALSO OPPOSED UTILITY OWNERSHIP OF STORAGE**
18 **RESOURCES IN YOUR DIRECT TESTIMONY. HAS YOUR CONCERN**
19 **WITH RESPECT TO STORAGE RESOURCES BEEN ADDRESSED?**

20 A. Yes. National Grid has significantly scaled back its plans for investing in energy
21 storage. National Grid is going to host a competitive RFP process for an EV
22 Charging Station/Storage pilot project. The proposal that offers the best “lifetime
23 value” to the electric system will be chosen as the winning bidder. The Settlement
24 Agreement commits that the proposal review process will be independent and

1 based on merit, as defined by the RRP criteria. As such, Direct Energy is
2 confident that the competitive market will deliver the best value to the system and
3 that the ultimate decision will help to advance the state's energy goals.

4 **Q. DID DIRECT ENERGY COMPROMISE ON ANY OF THE POSITIONS**
5 **YOU ARTICULATED IN YOUR DIRECT TESTIMONY?**

6 A. Yes. For example, as part of this Settlement Agreement, National Grid will be
7 allowed to own and operate some EV charging stations. National Grid will also
8 supply the energy to the site host locations. Direct Energy had suggested that the
9 site host have a choice of energy provider, even at company-owned EV charging
10 stations not on Company property. Under the terms of this Settlement
11 Agreement, the site hosts don't have a choice, *per se*. However, National Grid is
12 going to conduct competitive solicitations for electricity supply and compare them
13 to standard offer energy rates to ensure that the customers in these underserved
14 markets are receiving the lowest energy price available. Utility ownership of EV
15 charging stations and additional utility-sponsored regulated rates are both issues
16 that I argued were not in the public interest in my direct testimony. As part of the
17 Settlement, National Grid will be limited to investing in EV charging
18 infrastructure to markets that are considered to be underserved, or possibly to
19 some government entities. While National Grid will be allowed to provide EV
20 charging stations and electricity service in these markets, nothing in the
21 Settlement prohibits third-party providers from serving these markets. While this
22 outcome is not in the best interest of Direct Energy, it shows that the spirit of
23 cooperation and good faith settlement negotiations resulted in a win-win solution

1 for National Grid, which now has some investment opportunities in the EV
2 Charging market; customers in the underserved markets, who will have options
3 for EV charging stations, including from National Grid, and a guaranteed lowest
4 energy price at those charging stations; and competitive third party suppliers and
5 energy providers who will continue to have business opportunities in these same
6 markets.

7 **Q. DO YOU BELIEVE THAT COMPETITIVE MARKETS WILL BE**
8 **ENHANCED BY THE SETTLEMENT AGREEMENT?**

9 A. The impact of the Settlement Agreement on competitive markets generally should
10 be favorable. The Utility has removed itself from many of what I believe to be
11 non-utility functions that it included in its original PST proposal. “Make-ready”
12 EV sites, for example, will be free to offer their own charging rates. Site-hosts at
13 National Grid-owned EV charging sites will be supplied with market-based
14 energy supply. National Grid will continue to offer only one standard offer
15 service rate and it will not be using ratepayer funds to invest in solar and energy
16 storage resources. On balance, Direct Energy believes the Settlement Agreement
17 is good for competitive markets and Rhode Island electricity customers.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes.