

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
BEFORE THE PUBLIC UTILITIES COMMISSION**

**IN RE: REVIEW OF THE NARRAGANSETT ELECTRIC COMPANY
D/B/A NATIONAL GRID'S DISTRIBUTION RATE FILING**

PURSUANT TO R.I. GEN. LAWS § 39-1-1 et seq.

DOCKET NO. 4770

**IN RE: REVIEW OF THE NARRAGANSETT ELECTRIC COMPANY
PROPOSED POWER SECTOR TRANSFORMATION PLAN**

PURSUANT TO R.I. GEN. LAWS § 39-1-1 et seq.

DOCKET NO. 4780

SETTLEMENT TESTIMONY

OF

KARL R. RÁBAGO

EXECUTIVE DIRECTOR, PACE ENERGY AND CLIMATE CENTER

on behalf of

NEW ENERGY RHODE ISLAND

JUNE 5, 2018

1 **Q. Please state your name, title, employer, and business address.**

2 A. My name is Karl R. Rábago. I am executive director of the Pace Energy and Climate
3 Center (“Pace”), a project of the Pace University Elisabeth Haub School of Law, with
4 offices located at 78 North Broadway, White Plains, New York.

5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am testifying on behalf of New Energy Rhode Island (“NERI”).

7 **Q. Are you the same Karl R. Rábago who previously filed direct testimony on behalf of**
8 **New Energy Rhode Island in these proceedings?**

9 A. Yes.

10 **Q. What is the purpose of this testimony?**

11 A. This testimony relates NERI’s support of the proposed settlement of the issues in these
12 proceedings pursuant to the Settlement Agreement filed on June 5, 2018.

13 **Q. Did you review the proposed settlement in the Settlement Agreement filed on June**
14 **5, 2018?**

15 A. Yes.

16 **Q. What is NERI’s position regarding the proposed settlement?**

17 A. New Energy Rhode Island has accepted the settlement of dockets 4770 and 4780 under
18 the overall terms of the Settlement Agreement filed on June 5, 2018 as a fair and
19 reasonable resolution and as a result that could have been obtained through litigation of
20 these dockets.

21 **Q. Are you sponsoring any exhibits at this time?**

22 A. Yes. I am sponsoring the NERI’s “Position on Settlement,” attached to this testimony as
23 Exhibit KRR-1. NERI’s Position on Settlement summarizes NERI’s positions and

1 recommendations and the settled result on each issue raised by NERI in these
2 proceedings.

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

4 **A. Yes.**

New Energy Rhode Island
RIPUC Docket Nos. 4770 & 4780
Witness: Karl R. Rábago

EXHIBIT KRR-1
NERI SETTLEMENT POSITION STATEMENT

**New Energy Rhode Island
Position on Settlement
June 5, 2018**

New Energy Rhode Island (NERI) has accepted the settlement of dockets 4770 and 4780 under the overall terms of the Settlement Agreement as a fair and reasonable resolution and as a result that could have been obtained through litigation of these dockets. This memo summarizes NERI's positions and recommendations and the settled result on each issue. NERI joins the other settling parties in recommending that the Rhode Island Public Utilities Commission adopt the settlement agreement. [Note: parentheticals are page number references to Karl R. Rábago's direct testimony in dockets 4770 and 4780.]

1. Return on Equity: NERI advocated for 8-8.44% return on equity (ROE) with integrated performance incentive mechanisms (PIMs) allowing the Company to perform its way to the top end of the range (Rábago Direct 4770 at p. 28). **Settled at 9.275% without integrated PIMs.**
2. Low Income: NERI opposed the low income proposals in the power sector transformation filing (Rábago Direct 4780 at p. 28-29), and called to maintain zero fixed charges and a 15% discount on distribution charges (Rábago Direct 4770 at p. 28-29, 46). **Settled on 25% discount to bills and a phase in to residential fixed customer charge.**
3. Reduce Fixed Charges: NERI advocated for volumetric charges excepting only costs to connect to the grid, and no loading of demand-related costs in fixed customer charges. Specifically, NERI recommended that the only appropriate customer costs are related to the consumption measurement function of the meter, billing services for set up and disconnection, and other costs that vary with customer count (relates to functionalizing); that the Company remove "General Plant and Administrative" and "General" costs from the category of customers costs; and that fixed customer charge not exceed \$5.90 per customer per month. NERI recommended similar adjustments for the small commercial class (C-06) as well. **Settled at \$6 customer charge for residential customers, and no change for small commercial customers.**
4. Forecasting: NERI recommended use of 30-year historical weather averages for extreme weather in estimating peak weather drivers, a 10-year average for historical average weather (Rábago Direct 4770 at p. 48), and a Commission-ordered process to develop tools for forecasting weather variability to reflect climate change (Rábago Direct 4770 at p. 49). NERI also found that the Company forecasts declining efficiency and solar adoption, with the likely effect that sales are overestimated (Rábago Direct 4770 at p. 50); and similar issues relating to gas forecasts (Rábago Direct 4770 at p. 50), and recommend a Commission-ordered process to investigate assumptions used in sales/delivery forecasting (Rábago Direct 4770 at p. 51). **These recommendations on forecasting are not addressed in the settlement.**

5. Streetlights: NERI recommended that the Company recognize LED dimming to higher percentage of energy reduction (up to 50%) and for a greater period of time (up to 6 hours) (Rábago Direct 4770 at p. 55). NERI recommended that the Company commit to reevaluate its streetlight forecasting periodically due to regular municipal installations, which have the effect of reducing costs assigned to the class. NERI also recommended that dimmed streetlights should be billed based on dimming from the operational wattage rather than the capacity wattage of the fixture; and commitment to include the wattage of each fixture on the bills, as is done in Massachusetts. **Settled to allow new dimming schedule providing for 50% dimming and greater accuracy regarding actual electricity used during dimming (in the absence of streetlight metering).**
6. Gas: NERI advocated that the Commission deny gas business enablement spending and require the Company to support its spending proposals with comprehensive quantification of costs and benefits as contemplated in the Docket 4600 and Power Sector Transformation proceedings. NERI also recommended that any approved costs be recovered through the volumetric charge (Rábago Direct 4770 at p. 64). **Settled at DPUC-negotiated level of acceptance of Company proposal.**
7. Trade Association Dues: NERI recommended that the Commission disallow recovery of EEI and AGA trade association dues from customers as not justified or substantiated (Rábago Direct 4770 at p. 64). NERI asked that the Company demonstrate benefits of trade association dues recovery to ratepayers, and recommended disallowing recovery of funding for advocacy that conflicts with ratepayer interests (Rábago Direct 4770 at p. 74). **Settled that Company would write a letter to EEI and AGA seeking explanation of how membership funds are used and substantiating the classification of costs.**
8. Grid Modernization Plan: NERI recommended that the Commission order the Company to develop a comprehensive grid modernization plan (Rábago Direct 4780 at p. 13, 17, 27). **Settled that Company will commit to preparing a fully integrated grid modernization plan.**
9. Power Sector Transformation (PST) tracker: NERI opposed the Company proposal to establish a PST tracker mechanisms, and recommended that all PST investments should be recovered through rate cases (Rábago Direct 4780 at p. 15). **Settled that Company removed the PST tracker and all PST items are addressed within base rates.**
10. Grid modernization investments: NERI recommended Commission approval of:
(a.) foundational grid modernization investments by the Company as part of 4770, including the Automated Meter Infrastructure study, in an amount not to exceed \$2 million and amortized over three years, (b.) the GIS system upgrades in an amount not to exceed \$427,000 and amortized over three years, and (c.) \$205,000 in added revenues for the rate year for the Systems Data Portal improvements

(Rábago Direct 4780 at p. 15). **Settled commitment to these initiatives at negotiated rates as part of base rate case.**

11. Performance Incentive Measures (PIMs): NERI recommended that the Commission adopt the Division’s recommended PIMs subject to stakeholder review (Rábago Direct 4780 at p. 15-16, 21). NERI specifically advocated for PIMs that would change the utility incentive around distributed generation projects. **Settled that negotiated PIMs, including one on time to interconnection service agreement, will be included as an add on to the base ROE, and that additional “experimental” (scorecard) PIMs, including one on time to interconnection, will be implemented for performance tracking purposes (without financial remuneration).** NERI also recommended that the Commission direct the Company to work with stakeholders to develop additional PIMs by 12/1/19: (a.) customer electric bill reductions and bill volatility reductions, (b.) customer engagement levels with third-party services and technologies, (c.) customer energy “literacy” and engagement with electricity usage information, and (d.) timely execution of competitive procurement and other business processes. (Rábago Direct 4780 at p. 16, 24). **Settled that a PST Advisory Group may consider such PIMs for adoption in the next rate case.**
12. Functional Return on Equity: NERI recommended that the Commission direct the Company to develop a proposal for rates of return on common equity for investments that are differentiated by functional category, including a base system function and separate categories for functions such as (a.) grid modernization and automated meter functionality, (b.) distributed energy resources interconnection and enablement, (c.) transportation electrification, (d.) low-income customer engagement with distributed energy resources, (e.) electric energy storage, and (f.) energy efficiency and energy management (Rábago Direct 4780 at p. 16-17). **Left to be addressed in the next rate case.**
13. Decoupling: NERI recommended that the Commission initiate a proceeding to evaluate the role and operation of revenue decoupling in the context of performance-based rate making (Rábago Direct 4780 at p. 17). **Settlement negotiations considered this statutory mechanism beyond scope of rate case.**
14. Proper cost benefit analysis per 4600 – NERI recommended that the Commission disapprove use of the “best fit/least cost analysis” method and require the use of a societal discount rate for any PST-related spending in a revised PST plan to be submitted no later than 12/1/18 (Rábago Direct 4780 at p. 17, 25). **Settled in revisions to cost benefit methodology throughout.**
15. Special projects: NERI recommended that the Commission direct the Company to reevaluate proposals relating to distributed energy resources—electric transportation infrastructure, electric heat, storage, and solar—to maximize opportunities for third-party market development (Rábago Direct 4780 at p. 18, 22, 28-30). **Settled through changes to the PST project initiatives, including (but not limited to) eliminating several proposals for utility ownership.**

Many factors went into NERI's decision whether to support a comprehensive settlement of these dockets. They include, but are not limited to: settlement negotiation process challenges, the urgent challenges of implementing docket 4600 and power sector transformation, management of litigation cost, remaining "at the table" through these negotiations, and the practical interest of minimizing discord with a powerful administrator of essential energy functions. NERI believes that this settlement, when considered as a whole, reflects a fair and reasonable resolution of the issues in the dockets and a result that could have been obtained through litigation. NERI remains eager to implement the outcomes of Commission proceedings in Docket 4600 and Power Sector Transformation. NERI sees the action steps in this settlement as overall positive and preliminary steps on what will be an iterative path to realization of a truly transformational policy and market vision. With great interest in actively participating in that future, NERI resolved to support this settlement.

For the foregoing reasons, NERI recommends that the Commission adopt the Settlement Agreement.