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General Counsel

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BY HAND DELIVERY & ELECTRONIC MAIL

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

Re: Docket 3534 - Narragansett Electric GreenUp Service Program

Enclosed on behalf of The Narragansett Electric Company ("Narragansett" or "Company") are ten copies of the testimony of Mr. Michael Hager, Vice President, Energy Supply - New England for National Grid USA Service Company, providing additional information in this proceeding concerning the New England Power Pool's Generation Information System.

Thank you for your attention to our filing. If you have any questions concerning this submission, please do not hesitate to contact me.

Very truly yours,

Terry L. Schwennesen

Enclosures

c: Docket 3534 Service List

The Narragansett Electric Company
R.I.P.U.C. Docket No. 3534 – GreenUp Service
Witness: Hager

DIRECT TESTIMONY
OF
MICHAEL J. HAGER

1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. Michael J. Hager, 55 Bearfoot Road, Northborough, Massachusetts 01532.

4

5 Q. Please state your position.

6 A. I am the Vice President, Energy Supply – New England for National Grid USA Service
7 Company. I am responsible for, among other things, all power procurement and related
8 activities for the distribution companies of National Grid USA (formerly the New
9 England Electric System), including The Narragansett Electric Company (“Narragansett”
10 or “Company”). These activities include the procurement of power for Standard Offer
11 Service and Last Resort Service.

12

13 Q. Will you describe your educational background and training?

14 A. In 1982, I graduated from the University of Hartford with a Bachelor of Science degree
15 in Mechanical Engineering. In 1986, I received a Master of Science degree in
16 Mechanical Engineering from Northeastern University. I am a Licensed Professional
17 Engineer in the Commonwealth of Massachusetts.

18

1 Q. What is your professional background?

2 A. From 1982 to 1992, I was employed by New England Power Service Company in various
3 engineering positions. In these positions, I provided support to New England Power
4 Company's ("NEP") thermal and hydroelectric generating plants with overall
5 responsibility for the management and control of studies and projects from initiation to
6 completion.

7
8 From 1992 to 1997, I was employed by NEP where I conducted wholesale and retail
9 power marketing activities involving the sale and purchase of generation resources to and
10 from investor-owned utilities, municipalities, independent power producers, government
11 agencies, brokers, marketers, and end-use retail customers.

12
13 In June 1997, I was promoted to the position of Standard Offer Portfolio Manager for
14 New England Power Service Company (now National Grid USA Service Company). In
15 November 2000, my title was changed to Manager, Distribution Energy Services to more
16 fully reflect the scope of work performed by my department.

17

1 In April 2002, I was promoted to the position of Director, Energy Supply – New
2 England. In December 2002, I was promoted to the position of Vice President, Energy
3 Supply – New England.

4
5 Q. Have you previously testified before the Rhode Island Public Utilities Commission
6 (“Commission”)?

7 A. Yes.

8
9 **II. Purpose of Testimony**

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to provide background information on the New England
12 Power Pool Generation Information System (“NEPOOL GIS”) and how the NEPOOL
13 GIS will be used in relation to the proposed GreenUp Service program.

14
15 **III. Description of NEPOOL GIS**

16 Q. What is the NEPOOL GIS?

17 A. The NEPOOL GIS is an accounting system that was designed to track various
18 characteristics or “attributes” of electric generation within NEPOOL. Tracking is

1 accomplished through the creation and trading of certificates. All load and generation
2 within NEPOOL is accounted for in the NEPOOL GIS.

3

4 Q. What are certificates?

5 A. Certificates are electronic records created within the NEPOOL GIS that are associated
6 with the generation of electricity. A certificate is created for each MWH of electricity
7 that is produced and contains information that includes, but is not limited to, the
8 identification of the specific generation facility that produced the power, the type of fuel
9 used, emissions characteristics of the generation and whether the generation qualifies for
10 various state programs (such as the Massachusetts Renewable Portfolio Standard).

11

12 Q. Why was the NEPOOL GIS created?

13 A. The NEPOOL GIS was created as a mechanism to enable market participants (generators,
14 retail suppliers, etc.) and regulators to demonstrate compliance with various public policy
15 mandates such as labeling requirements, verification of marketing claims, renewable
16 portfolio standards, and emission portfolio standards.

17

18 Q. When was the NEPOOL GIS implemented?

1 A. In 2000, NEPOOL established a working group to explore the idea of establishing the
2 NEPOOL GIS and obtained approval from the NEPOOL Participants Committee to
3 proceed. In 2001, NEPOOL issued an RFP seeking a third party to develop and
4 implement the NEPOOL GIS in accordance with rules established by NEPOOL. The
5 NEPOOL GIS became operational in 2002 with the creation and tracking of certificates
6 for generation produced as of January 1, 2002.

7

8 Q. Who runs the NEPOOL GIS?

9 A. The NEPOOL GIS is run by APX Inc. (“APX”) under contract with NEPOOL.

10

11 Q. What are the costs of operating the NEPOOL GIS?

12 A. Under the agreement between NEPOOL and APX, APX is paid a per MWh fee for each
13 certificate that is created as well as traded in the NEPOOL GIS. Based on costs billed by
14 ISO New England for the period January 2003 – June 2003, the cost of operating the
15 NEPOOL GIS is approximately \$2.2 million per year.

16

17 Q. Who pays the costs of operating the NEPOOL GIS?

18 A. NEPOOL has adopted a cost allocation methodology, a copy of which is provided in
19 Exhibit MJH-1. In general, the costs of operating the NEPOOL GIS are allocated to

1 retail load that is subject to “Attribute Laws,” which are defined in the cost allocation
2 document as:

3 [A]ny statutes, regulations or orders or decisions of courts and
4 governmental agencies in effect in New England requiring (i) the
5 disclosure of the fuel source, emissions and/or other attributes of
6 the generation used in providing electric service to retail
7 customers, (ii) the inclusion of specified amounts of generation
8 with particular attributes in the generation used in providing
9 electric service to retail customers, and/or (iii) that generation
10 falling within specified emission limits be used to serve retail
11 customers. The Attribute Laws as of March 8, 2002 include, but
12 are not necessarily limited to, those set forth on Appendix A
13 hereto. Not all retail load serving entities in a state with an
14 Attribute Law are necessarily subject to that Attribute Law.
15

16 Q. Have Narragansett’s Standard Offer Service or Last Resort Service customers paid any
17 costs of the NEPOOL GIS to date?

18 A. No. Narragansett’s supply of Standard Offer Service or Last Resort Service is not
19 currently subject to any Attribute Laws (such as being required to provide
20 label/disclosure information to customers or to meet established portfolio standards).
21 Thus, Narragansett’s Standard Offer Service and Last Resort Service customers have not
22 been assessed any costs of the NEPOOL GIS to date. Further, we believe that
23 Narragansett has the ability to provide disclosure information to customers without being
24 subject to NEPOOL GIS costs so long as the information is provided on a voluntary basis

1 and is not required or mandated by “any statutes, regulations or orders or decisions of
2 courts and governmental agencies”.

3
4 Q. Will Narragansett’s customers be assessed any costs of the NEPOOL GIS if the GreenUp
5 Service program is approved?

6 A. Narragansett does not anticipate that its customers will be assessed any costs of the
7 NEPOOL GIS if the GreenUp Service program is approved. While the GreenUp Service
8 program requires that GreenUp Service Suppliers provide disclosure labels to their
9 customers, and such labels may compare the supply resources provided under the
10 GreenUp Service product to the customer’s underlying Standard Offer Service or Last
11 Resort Service, the disclosure of Standard Offer and Last Resort information by the
12 Company to the GreenUp Service Supplier for use in the creation of the GreenUp
13 Suppliers’ disclosure labels is strictly voluntary. If NEPOOL should determine that the
14 loads served under the GreenUp Service program are subject to an applicable Attribute
15 Law and are assessed NEPOOL GIS costs, then such costs will be allocated, either
16 directly by ISO New England or by Narragansett (if such costs are assessed to
17 Narragansett), to the applicable GreenUp Service Suppliers.

18

1 Q. If the Commission were to require Narragansett to provide disclosure information to its
2 Standard Offer Service or Last Resort Service customers, would those services be subject
3 to NEPOOL GIS costs?

4 A. Yes. If the Commission were to require Narragansett to provide disclosure information
5 to its Standard Offer Service or Last Resort Service customers, such services would be
6 subject to an Attribute Law and thus would be assessed NEPOOL GIS costs. Based on
7 costs billed by ISO New England for the first half of 2003, Narragansett estimates these
8 costs to be \$250,000 per year. In addition, Narragansett would incur additional costs
9 associated with providing such disclosure information, including, but not limited to, the
10 printing and production of the disclosure statement, increased postage fees for the
11 disclosure statement if their inclusion caused the customer bills to exceed their weight
12 limitations, and related administrative costs. Narragansett would seek cost recovery of
13 these increased costs from customers.

14

15 **IV. RELATIONSHIP BEWTEEN NEPOOL GIS AND GREENUP SERVICE**
16 **PROGRAM**

17 Q. Will the NEPOOL GIS be used as part of the GreenUp Service program?

18 A. Yes. Even though Narragansett's Standard Offer Service and Last Resort Service are not
19 subject to Attribute Laws, the loads associated with these services are accounted for in

1 the NEPOOL GIS. As more fully explained in Appendix A, Sheets 1-3 of the
2 Company's GreenUp Service filing, Narragansett will create separate accounts within its
3 NEPOOL GIS account for Standard Offer Service, Last Resort Service and the various
4 GreenUp Service products. Narragansett will transfer to these accounts the certificates
5 associated with its Standard Offer Service and Last Resort Service as well as the
6 certificates provided by the GreenUp Service Suppliers for their products. Narragansett
7 will provide the certificate information in each of these accounts to the applicable
8 GreenUp Service Supplier, which will then be used by the GreenUp Service Supplier to
9 provide, on a voluntary basis, disclosure information regarding its GreenUp Service
10 product and Narragansett's Standard Offer Service or Last Resort Service, as applicable.
11

12 Q. Does this conclude your testimony?

13 A. Yes. It does.

THE NARRAGANSETT ELECTRIC COMPANY
R.I.P.U.C. Docket
Exhibit MJH-1

EXHIBIT MJH-1

NEPOOL GIS COST ALLOCATION METHODOLOGY

Allocation of Costs Related to Generation Information System

1. Definitions

Capitalized terms not otherwise defined herein have the meanings given to them in the Restated NEPOOL Agreement (including the Restated NEPOOL Open Access Transmission Tariff and the Market Rules and Procedures).

“Attribute Laws” are any statutes, regulations or orders or decisions of courts and governmental agencies in effect in New England requiring (i) the disclosure of the fuel source, emissions and/or other attributes of the generation used in providing electric service to retail customers, (ii) the inclusion of specified amounts of generation with particular attributes in the generation used in providing electric service to retail customers, and/or (iii) that generation falling within specified emission limits be used to serve retail customers. The Attribute Laws as of March 8, 2002 include, but are not necessarily limited to, those set forth on Appendix A hereto. Not all retail load serving entities in a state with an Attribute Law are necessarily subject to that Attribute Law.

“GIS Load” for any GIS Participant is, for any month, the sum of the meter readings in such month for all GIS Load Assets owned by that GIS Participant.

A “GIS Load Asset” is any Load Asset registered with the System Operator which (x) is owned by a Participant that either is subject to an Attribute Law with respect to that specific Load Asset, or (y) is owned by a Participant that supplies power for that Load Asset directly to a non-Participant that is in turn subject to an Attribute Law with respect to that specific Load Asset, or (z) is owned by a Participant that supplies power for that Load Asset directly to a Participant that is in turn subject to an Attribute Law with respect to that specific Load Asset; provided, however, that any GIS Load Asset owned by a Participant that supplies power for that Load Asset directly to a Participant that is in turn subject to an Attribute Law with respect to that specific Load Asset, as described in clause (z) above, shall, for purposes of determining the amount of GIS Costs that are attributable to Participants hereunder, be deemed to be owned by the Participant that is subject to an Attribute Law with respect to that Load Asset. Each Load Asset shall be presumed to be a GIS Load Asset unless it is identified otherwise pursuant to the provisions of section 2 below.

A “GIS Participant” is any Participant that owns one or more GIS Load Asset(s). No Governance Only Member will be deemed to be a GIS Participant.

“GIS Costs” are all of the expenses incurred by NEPOOL in any given month in connection with its generation information system, including without limitation all amounts payable by NEPOOL to the entity or entities that develop, administer, operate and maintain that generation information system and to the project manager for that generation information system.

“Subcommittee” is the NEPOOL Budget and Finance Subcommittee or any other group or committee designated by the Participants Committee to serve the functions of the Subcommittee hereunder.

2. Identification of GIS Load Assets

- a) Every Load Asset will be deemed to be a GIS Load Asset, subject to the allocation and payment procedures described herein, unless the Participant that owns that Load Asset certifies to the Subcommittee, in accordance with this section 2, that such Load Asset is not a GIS Load Asset.
- b) To demonstrate that any Load Asset owned by it is not a GIS Load Asset, on an annual basis and whenever the Subcommittee or the System Operator deems necessary, a Participant shall provide the Subcommittee, either a certification by an officer of that Participant (a “Certification”) or an opinion of counsel to that Participant (an “Opinion”) explaining the specific reason or reasons why such Load Asset is not a GIS Load Asset; provided, however, that the System Operator or the Subcommittee may specifically require a Participant claiming any Load Asset is not a GIS Load Asset to provide either a Certification or an Opinion. Each such Certification or Opinion shall include, for each Load Asset covered thereby, an asset identification number, the state in which the load associated with that Load Asset is situated, and the specific reason why such Load Asset is not a GIS Load Asset. Conclusory statements that a Load Asset is not a GIS Load Asset without an adequate explanation shall not satisfy the requirements of this provision. The Subcommittee shall periodically provide the System Operator with a list of the Load Assets, by asset identification number, which have been demonstrated to the satisfaction of the Subcommittee not to be GIS Load Assets.
- c) Beginning with the month immediately before the first month in which the System Operator begins billing and collecting GIS Costs based on this procedure, the certification or opinion of counsel described in paragraph (b) above must be provided by a Participant to the Subcommittee by the 20th day of the month in order for that Participant to avoid being allocated a portion of the GIS Costs in the following month, and subject to paragraph (d) below, all subsequent months of that same calendar year in which the Participant does not own any GIS Load Assets. Participants that do not own Load Assets are not required to submit an Opinion or Certification. In addition, each Participant that owns a Load Asset and expects not to be charged a portion of the GIS Costs under this procedure shall provide its Certification or Opinion to the Subcommittee by July 20, 2002, if it has not already done so.
- d) Each Participant shall notify the Subcommittee immediately if any Load Asset owned by it becomes a GIS Load Asset as a result of either a change in law or a change in the nature of such Load Asset.

- e) The System Operator will periodically (and no less frequently than annually) publish to all of the Participants and to the utility regulatory agencies in each of the New England states (via the System Operator’s website and/or direct electronic mail) a listing, by asset identification number, owning Participant and state, of all of the GIS Load Assets and all of the Load Assets that are not GIS Load Assets. That listing will also identify the Load Assets that are related solely to station service.
- f) Any Participant may challenge whether a Load Asset is a GIS Load Asset by requesting that the Participants Committee find that such Load Asset is or is not a GIS Load Asset, including in such request the specific reasons for its challenge. Any finding to such effect by the Participants Committee shall be subject to the usual voting and appeal requirements with respect to actions by the Participants Committee.

3. Allocation of Costs to GIS Participants

The amount of GIS Costs being allocated on a GIS Participant’s bill in any month will be based on its GIS Load in the previous month. This monthly allocation of GIS Costs to each GIS Participant (“Participant GIS Cost”) will be calculated as follows:

$$Participant\ GIS\ Cost = GIS\ Costs * \frac{GIS\ Load\ of\ that\ GIS\ Participant}{\sum (GIS\ Loads\ of\ all\ GIS\ Participants)}$$

- b) Except in the case of a potential error made in the allocation of any month’s GIS Costs that is initially identified to the System Operator within 90 days of the initial allocation, the allocation of the GIS Costs among the GIS Participants in any month will be final and not subject to resettlement.
- c) All GIS Costs incurred by NEPOOL and paid by the Participants prior to the effectiveness of the procedure set forth herein, together with interest accrued thereon, will be allocated among the GIS Participants and paid by the GIS Participants to the Participants initially paying such GIS Costs in the first month in which GIS Costs are allocated according to the procedure set forth herein.

Attribute Laws

Connecticut

Conn. Gen. Stat. §16-6c
Conn. Gen. Stat. §16-245a
Conn. Gen. Stat. §16-245p
Conn. Gen. Stat. §22a-174j;
Conn. Agencies Regs. §16-245-5

Maine

Me. Rev. Stat. Ann. §3210
Code Me. R. §65-407-306

Massachusetts

Mass. Gen. L. ch. 25A, §11D
Mass. Gen. L. ch. 25A, §11F
Mass. Gen. L. ch. 111, §142N
Mass. Regs. Code tit. 220, §11.06

New Hampshire

No Attribute Laws at this time

Rhode Island

R.I. Regs. Code §90-000-016

Vermont

No Attribute Laws at this time