

August 14, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02889

**RE: Docket 4041 - 2010 Standard Offer Supply Procurement Plan
Rebuttal Testimony**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a/ National Grid (“the Company”), please find enclosed ten (10) copies of the Rebuttal Testimony of Alan P. Smithling in this docket.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Docket 4041 Service List
Leo Wold, Esq.
Steve Scialabba, Division

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted to the individuals listed below.

Joanne M. Scanlon
National Grid

August 14, 2009
Date

**Docket No. 4041 National Grid – SOS and RES Procurement Plans
Service List Updated 7/14/09**

Name/Address	E-mail Distribution	Phone/FAX
Thomas R. Teehan, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Thomas.teehan@us.ngrid.com	401-784-7667 401-784-4321
	Joanne.scanlon@us.ngrid.com	
Gerald J. Petros, Esq. (for NGrid) Hinckley, Allen & Snyder LLP 50 Kennedy Plaza, Suite 1500 Providence, RI 02903-2319	gpetros@haslaw.com	401-274-2000 401-277-9600
	dmarquez@haslaw.com	
	jmansolf@haslaw.com	
Paul Roberti, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Proberti@riag.ri.gov	401-222-2424 401-222-3016
	Dstearns@ripuc.state.ri.us	
	Sscialabba@ripuc.state.ri.us	
	Acontente@ripuc.state.ri.us	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov	401-222-2424 401-222-3016
	Mtobin@riag.ri.gov	
	dmacrae@riag.ri.gov	
Andrew C. Dzykewicz, Commissioner RI Office of Energy Resources One Capitol Hill Providence, RI 02908-5850	adzykewicz@energy.ri.gov	401-574-9123
John R. McDermott, Esq. (for OER) 27 East Street, Unit 2 Providence, RI 02906	JRMcDermott.law@gmail.com	401-269-1198 401-294-4483
Jerry Elmer, Esq. Conservation Law Foundation 55 Dorrance Street Providence, RI 02903	Jelmer@clf.org	401-351-1102 401-351-1130
Richard A. Sherman Edwards Angell Palmer & Dodge LLP 2800 Financial Plaza Providence, Rhode Island 02903	RSherman@eapdlaw.com	401-276-6513 888-325-9062
Hugh F. Murray, III, Esq. Murtha Cullina LLP City Place1, 185 Asylum St. Hartford, CT 06103-3469	Hmurray@murthalaw.com	860-240-6077

Dennis J. Duffy, V.P. Energy Management, Inc. 75 Arlington Street, Suite 704 Boston, MA 02116	dduffy@emienergy.com	617-904-3100 617-904-3109
Robert J. Munnely, Esq. Murtha Cullina LLP 99 High Street Boston, MA 02110-2320	Rmunnely@murthalaw.com	617-457-4062
Michael McElroy, Esq. Schacht & McElroy PO Box 6721 Providence RI 02940-6721	McElroyMik@aol.com	401-351-4100 401-421-5696
Joseph E. Donovan, Senior Counsel Constellation Energy Resources, LLC 111 Market Place, Suite 500C Baltimore, Maryland 21202	Joseph.donovan@constellation.com	410-470-3582 410-470-2600
	Daniel.Allegretti@constellation.com	
	Timothy.daniels@constellation.com	
Richard Hahn LaCapra Associates One Washington Mall, 9 th floor Boston, MA 02108	rhahn@lacapra.com	617-778-2467 617 778-2481
	apereira@lacapra.com	
	afreitas@lacapra.com	
File an original & nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02889	Lmassaro@puc.state.ri.us	401-780-2017 401-941-1691
	Cwilson@puc.state.ri.us	
	Nucci@puc.state.ri.us	
	Anault@puc.state.ri.us	

REBUTTAL TESTIMONY

OF

ALAN P. SMITHLING

August 14, 2009

1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. My name is Alan P. Smithling, and my business address is 300 Erie Boulevard
4 West, Syracuse, New York 13202.

5

6 Q. Please state your position.

7 A. I am the Manager of Electric Supply for National Grid USA Service Company,
8 Inc. (“National Grid”). I manage the physical power procurement as well as the
9 hedging strategies and other energy supply related activities for National Grid’s
10 operating companies, including The Narragansett Electric Company d/b/a
11 National Grid (“Narragansett” or “Company”). For Narragansett, these activities
12 include the procurement of power for Standard Offer Service (“SOS”) and Last
13 Resort Service (“LRS”) as well as the procurement of renewable energy
14 certificates (“RECs”).

15

16 Q. Will you describe your educational background?

17 A. I graduated from the State University of New York College of Environmental
18 Science & Forestry in 1980 with a Bachelor of Science in Forest Engineering. I
19 received a Masters in Geotechnical Engineering from Syracuse University in
20 1982.

1

2 Q. What is your professional background?

3 A. In December 1982, I joined Niagara Mohawk Power Corporation as a Junior
4 Engineer in the Transmission and Stations Engineering Department. In
5 September 1988, I accepted a position as a Supply Planner in the Energy Supply
6 Department performing economic analyses for our Fossil & Hydro generation
7 portfolio. In this position I became an expert user of the production costing
8 model PROMOD. PROMOD is an hourly simulation of the generation,
9 transmission, zonal loads, and market prices, similar to the New York ISO
10 operation. I was in the Supply Planning area for thirteen (13) years, performing
11 market price forecasts, economic analyses, planning studies and electric rate
12 design. In 2002, I became the Risk Manager for the gas and electric wholesale
13 commodity purchases for all National Grid distribution companies. My
14 responsibility was to identify and monitor areas within National Grid that exposed
15 the Company to changes in the market price of electricity, natural gas or other
16 commodities in accordance with the Corporate Risk Management Policy. In
17 February 2008, I accepted my current position of Manager Electric Supply.

18

19 Q. Have you previously testified before the Rhode Island Public Utilities
20 Commission (“Commission”)?

1 A. Yes, in this docket.

2

3 Q. Have you testified before any other state regulatory agencies?

4 A. Yes. I've testified before the New York Public Service Commission regarding
5 supply procurement activities.

6

7 **II. Purpose of Testimony**

8 Q. What is the purpose of your rebuttal?

9 A. The Company would like to take this opportunity to respond to the
10 recommendations in the direct testimony of Richard Hahn filed on behalf of the
11 Rhode Island Division of Public Utilities and Carriers.

12 Q. What is Mr. Hahn's proposal for establishing Standard Offer Service ("SOS")
13 SOS procurement groups?

14 A. Mr. Hahn is proposing that the Company establish three SOS procurement groups
15 as follows:

16 (1) Residential – A-16/A-60

17 (2) Small Commercial – C-06, S-10/S-14, and G-02

18 (3) Large Commercial / Industrial ("Large C&I"). G-32/B-32 and G-62/B-62

1 Q. What is your response to Mr. Hahn's recommendation to redefine the
2 procurement groups from two SOS procurement groups to three?

3 A. On Page 22 of Mr. Hahn's testimony, he recognizes that the Company has
4 recently procured 95% of its Small Customer group supply through September
5 2010, and 50% through March 2011. Therefore, as Mr. Hahn states, "...the next
6 opportunity to redefine customer groups for procurement purposes would be for
7 deliveries that commence starting April 2011." The Company would be willing
8 to consider redefining its proposed procurement groups for deliveries starting
9 April 2011. However, a decision regarding a redefinition of the procurement
10 groups starting April 2011 can be addressed in the Company's next SOS supply
11 procurement plan to be filed by March 1, 2010.

12 Even if the Company proposes in its next SOS supply procurement plan to move
13 to three procurement groups, the Company may propose an alternative definition
14 of the three groups as compared to that proposed by Mr. Hahn. For example, the
15 three procurement groups could be based upon the following breakdown:

- 16 (1) Residential and Small Commercial – A16/A60 and CO6
17 (2) Medium Commercial – S10/S14 and G02
18 (3) Large Commercial / Industrial – G32/B32 and G62/B62

19

1 The only difference between this breakdown and Mr. Hahn's is that the C06
2 Small Commercial rate class would be grouped with the Residential classes
3 A16/A60 rather than with the larger commercial classes. One of the major factors
4 in considering groupings of customer classes is their ability to move to
5 competitive suppliers. The C06 class is more similar to residential customers than
6 larger commercial customers with respect to their ability to migrate to competitive
7 suppliers. As indicated in Mr. Hahn's Exhibit RSH-7, the annual usage of the
8 average C06 customer of 12 MWh is closer to the residential average of 7 MWh,
9 as compared to the much higher 169 MWh usage of an average G02 customer.
10 Even though the load profiles of the C06 customers are different from the
11 residential customers, they are an order of magnitude smaller than the next group
12 of commercial customers and are less likely to receive offers from competitive
13 suppliers. Company billing data indicates that less than 10% of the customers in
14 Rate C-06 have taken service at any time from a competitive supplier. In contrast,
15 approximately 20% of customers taking service on Rate G-02 and 50% of
16 customer taking service on Rate G-32 have received commodity service from
17 competitive suppliers. In Massachusetts, only 25% of the load and 19% of the
18 customers from these small commercial customers are served by competitive
19 suppliers. In New York, the mass market customers are typically defined as the

1 residential and small commercial customers, and utilities are directed to manage
2 their supply cost volatility.

3 Mr. Hahn points out that the overall size of the procurement group is an important
4 factor to consider in establishing groupings, and that his proposed groupings
5 would each be large enough to facilitate efficient and economic procurements.

6 The Company agrees that overall size is an important factor and believes that its
7 proposed modifications to Mr. Hahn's recommended customer groups result in
8 procurement groups that would be sufficiently large enough to elicit economic
9 price bids from suppliers. In any event, a decision regarding a redefinition of the
10 procurement groups is not needed at this time.

11 Q. What is Mr. Hahn's recommendation for an alternative procurement approach for
12 large commercial and industrial customers?

13 A. Mr. Hahn is recommending that the Company should consider the option of using
14 100% spot market prices rather than Full Requirements Service contracts with
15 three month terms.

16 Q. What is your response to Mr. Hahn's recommendation?

17 A. The Company is willing to consider using 100% spot market prices rather than
18 FRS contracts with three month terms for the largest customers (G32/B32,

1 G62/B62) in its next SOS supply procurement plan to be filed by March 1, 2010.
2 The Company, however, needs to maintain the three month FRS contracts for the
3 Large Group until at least March 31, 2011, while the Company reviews the
4 necessary components (e.g., communications, data and bill management, tariff
5 design, etc.) to fully implement hourly prices. The Company will submit its
6 recommendation on this issue in its next SOS supply procurement plan.

7 Q. What is your response to Mr. Hahn's recommendation that the Company modify
8 its SOS delivery schedule?

9 A. The Company believes that the proposed effective dates of its SOS contracts for
10 its Small Customer Group and the corresponding rate schedule on April 1st and
11 October 1st are the best choice because it would be beneficial to the Small
12 Customer Group to receive semi-annual rate changes in these shoulder months
13 when their usage is low and market prices are typically lower. The Company
14 notes a correction to Mr. Hahn's testimony on Page 24, line 17 that the effective
15 dates of its SOS contracts for its Small Customer Group begin April 1st and
16 October 1st, not May 1st and November 1st.

17 Q. What is your response to Mr. Hahn's recommendation regarding implementing a
18 managed portfolio approach starting June 2011?

1 A. Pursuant to Rhode Island General Laws §39-1-27.8, by March 1 of each year
2 from 2009 through 2018, the Company must file an SOS supply procurement plan
3 that is subject to review and approval by the Commission. Consequently, the
4 Company will consider Mr. Hahn's recommendations and will submit its own
5 recommendations in its next SOS supply procurement plan. This will allow the
6 Company to observe market developments and make an informed decision
7 regarding SOS supply procurement for the delivery periods to which Mr. Hahn's
8 recommendation pertains. The Company will be evaluating implementation of a
9 managed portfolio, including consideration of alternative procurement products
10 and processes, when it develops its next SOS supply procurement plan which will
11 address delivery periods starting June 2011.

12 Q. How does the Company intend to complete its procurement plan for 2010?

13 A. The table in Exhibit APS-1 shows that the Company intends to procure the 5%
14 balance of FRS contracts for the period January through September 2010 in an
15 October 2009 RFP. During this RFP, the Company also intends to obtain pricing
16 for 25% of the remaining balance for the period October 2010 through March
17 2011. Based upon the pricing obtained, the Company will consult with the
18 Division Staff to consider locking in a contract at those bid prices. If that contract
19 is signed, the remaining 25% would be obtained through an FRS solicitation

1 conducted in mid 2010. If the contract is not signed, two solicitations will occur
2 in 2010 to obtain the remaining 50% balance for October 2010 through March
3 2011.

4
5 Q. What is the Company's response to Mr. Hahn's suggestion that the evaluation
6 process for long term contracts for renewables become part of this Standard Offer
7 docket?

8 A. Rhode Island recently enacted legislation governing long-term contracting for
9 renewable energy. The Commission changed the procedural schedule in this
10 Standard Offer docket to allow the Company to amend its filing in light of the
11 newly enacted legislation, and on July 10, 2009 the Company amended its filing
12 to remove consideration of long-term contracting from its proposal in this docket.
13 The Commission has opened a new docket to implement the requirements of the
14 new long-term contracting statute. The evaluation process for long-term contracts
15 for renewables is now part of Docket No. 4069, which is where the evaluation
16 criteria will be addressed. In that docket, discussions regarding Commission
17 Rules governing the procurement of long-term renewable contracts are already
18 well underway. Consequently, the Company does not believe that the evaluation

1 process for long-term contracting for renewable energy should become part of this
2 Standard Offer docket.

3 Q. Does this conclude your testimony?

4 A. Yes, it does.

1
2

EXHIBIT APS-1

		Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Oct-2010	Nov-2010	Dec-2010	Jan-2011	Feb-2011	Mar-2011
Large Group																
RFPs for FRS Contracts																
Classes	RFP Date															
G62, G32,GO2	Oct-2009	100%	100%	100%												
G62, G32,GO2	Feb-2010				100%	100%	100%									
G62, G32,GO2	May-2010							100%	100%	100%						
G62, G32,GO2	Aug-2010										100%	100%	100%			
G62, G32,GO2	Nov-2010													100%	100%	100%
Small Group																
RFPs for FRS Contracts																
Classes	RFP Date															
A, S, CO6	Existing	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
A, S, CO6	Oct-2009	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
A, S, CO6	Jan - Aug 2010	pricing option obtained for 25% 25% in 1 RFP or 50% in 2 RFPs														

3