nationalgrid

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Senior Counsel

October 16, 2015

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4523 – Gas Customer Choice Program
<u>Rebuttal Testimony</u>

Dear Ms. Massaro:

On behalf of National Grid[1], I am enclosing the Company's rebuttal testimony of Elizabeth D. Arangio and Terrence Kain in the above-referenced docket.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at 401-784-7288.

Very truly yours,

Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4523 Service List
Leo Wold, Esq.
Steve Scialabba

[1] The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

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Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

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Joanne M. Scanlon

October 16, 2015
Date

Docket No. 4523 – National Grid – Gas Customer Choice Filing
Service List updated on 9/22/15

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REBUTTALTESTIMONY

OF

ELIZABETH D. ARANGIO

AND

TERRENCE KAIN

OCTOBER 16, 2015

Q. Ms. Arangio, please state your name and business address.

A. My name is Elizabeth Danehy Arangio. My business address is 40 Sylvan Road, Waltham, Massachusetts 02451.

Q. Mr. Kain, please state your name and business address.

A. My name is Terrence Kain. My business address is 175 East Old Country Road, Hicksville, New York 11801.

Q. Did you both submit pre-filed direct testimony in this proceeding?

A. Yes, we submitted pre-filed joint testimony on August 7, 2015 on behalf of The Narragansett Electric Company d/b/a National Grid (the Company).

Q. What is the purpose of this rebuttal testimony in this proceeding?

A. Our rebuttal testimony addresses three primary issues raised by Bruce R. Oliver of Revilo Hill Associates, who submitted a Memorandum dated October 8, 2015 on behalf of the Rhode Island Division of Public Utilities and Carriers (Division). These issues relate to (1) the Company's planning processes for its capacity resources as described on page 4 of Mr. Oliver's Memorandum; (2) Mr. Oliver's comments and recommendations regarding Default Transportation Service; and (3) Mr. Oliver's suggestion that customers who return to Firm Sales Service under the Company's proposal should pay incremental pricing for a specified period of time.

Q. Please summarize the Division's comments with respect to the Company's planning processes for capacity resources.

A. On page 4 of Mr. Oliver's Memorandum, footnote 3, he states "[c]apacity resources have been planned by National Grid, as well as many other natural gas distribution utilities, to meet gas supply demands under extreme (design day) weather conditions **plus** a reserve." This statement is not correct as it relates to the Company. When planning for capacity resources for its Capacity Eligible customers, the Company plans for design day conditions, but does not include any reserve. As described in the Company's Long-Range Gas Supply Plan filed with the Commission on March 10, 2014, the Company's planning process involves the five following discrete steps:

1. Prepare Demand Forecast for Firm Service Requirements;

2. Convert Normal Weather Requirements to Design Weather Requirements;

3. Model Resources against Design Weather Requirements;

4. Evaluate Resource Portfolio and Determine Need for Incremental Capacity and/or Renewal of Existing Contracts; and

5. Renew Existing Contract(s) and/or Contract for Incremental Resource(s)

The Company has been using the SENDOUT® model developed by New Energy Associates, now Ventyx, as its primary analytical tool in the portfolio design process. The SENDOUT® model is a linear-programming optimization software tool used to assist in evaluating, selecting and explaining long-term portfolio strategies. Using the SENDOUT® model, which is populated with forecasted customer requirements, along with all resource contained within the portfolio -- *nothing incremental*, the Company is able to (1) determine the lowest-cost portfolio that will meet forecasted customer demand, and (2) test (a) the sensitivity of the portfolio to key inputs and assumptions, and (b) the Company's ability to meet all its planning standards and contingencies. Based on the results of this analysis, the Company can make preliminary decisions about the adequacy of the resource portfolio and the Company's ability to meet system requirements for both the upcoming year and over the longer term.

Q. Please summarize the Division's comments regarding the Default Transportation Service.

A. In Mr. Oliver's Executive Summary on page 2 of the Memorandum, he states:

> National Grid perceives that it has an obligation to service all Capacity Exempt Default service customers on a firm basis, even under extreme winter weather conditions, despite the fact that it does not plan capacity to serve those customers' requirements.

Mr. Oliver reiterates this point again on pages 12-13 of his Memorandum:

> an inherent inconsistency exists between National Grid's capacity planning which excludes the requirements of Capacity Exempt customers and the Company's perception that it must be prepared to provide firm service to any and all current Capacity Exempt customers who request Default Service.

Mr. Oliver seems to be operating under the misconception that the Company does not have an obligation to provide Firm Service to a Capacity Exempt customer under its Default Transportation Service rates.[1] He further suggests that,

> The Company's tariff could be amended to require each marketer that serves Capacity Exempt customers to annually demonstrate prior to the start of each winter season that the marketer has contracted for sufficient firm capacity to serve the Capacity Exempt customers' design day requirements. Alternatively, if operationally the Company cannot ensure marketers' ability to serve Capacity Exempt customer loads, then the Company's tariff may need to be amended to require that adequate metering and controls be installed for Capacity Exempt customers to avoid their unauthorized use of system capacity under extreme weather conditions.

[1] On page 2 of his Memorandum, Mr. Oliver recommends that if the Company's perception of its obligation to serve Capacity Exempt customers under Default Transportation Service is reflective of the PUC's intent, then "Capacity Exempt service should be immediately terminated, and such customers should be required to take and pay for mandatory assignments of firm capacity." If this were to occur in conjunction with the PUC's decision in this docket as of November 1, 2015, the Company would not be able to serve all these customers as capacity assigned, Firm Transportation Service customers at the same time without jeopardizing the reliability of the entire portfolio.

Q. What is the Company's position with respect to its obligations to provide Default Transportation Service to Capacity Exempt customers seeking to return to the Company for Firm Transportation Service?

A. The Company disagrees with the Division's position that it does not have an obligation to provide transportation service to a Capacity Exempt customer who returns to the Company for its gas supply. Section 2.04.0 of the Company's current Transportation Terms and Conditions (Transportation T&Cs) of its gas tariff, RIPUC NG-GAS NO. 101 (Tariff), is clear and explicit that "Default Transportation Service is available for any Commercial or Industrial customer account classified as Large or Extra Large that subscribes to FT-1 Transportation Service and that does not have pipeline capacity assignment from the Company." This section further states that "[c]ustomers **will** receive this service as a result of their marketer no longer delivering gas on their behalf." (emphasis added).

The Tariff does not condition the receipt of Default Transportation Service on whether the Company has sufficient capacity to serve these customers. This interpretation is further supported by the 1999 Supplemental Settlement Agreement that the Public Utilities Commission approved in Docket No. 2902, wherein capacity exempt customers were to have access to two types of default service "to protect such capacity exempt customers in the event that their supplier stops delivering gas on their behalf."[2] Nowhere in this Supplemental Settlement Agreement did it state that the Company could choose whether or not to serve these customers.

Q. Does the Company agree with the Division's recommendation to amend the Tariff to ensure marketers' ability to serve Capacity Exempt customer loads, or alternatively to require adequate metering and controls for Capacity Exempt customers?

A. No. For the reasons explained above regarding Default Transportation Service under the Tariff, the Company's position is that its current Firm Sales Service customers and capacity assigned Firm Transportation Service customers are adequately protected against the increased costs that the additional load from a Capacity Exempt customer returning to Default Transportation Service would impose on the Company's system. In fact, that is the point of Default Transportation Service and the applicable rate under the Tariff. Because the Company does not plan for the requirements of Capacity Exempt customers, it has to go out to the market to purchase citygate bundled supply on behalf of these customers returning to Firm Transportation Service. Such bundled supply is generally more expensive; hence, the

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[2] See Supplemental Settlement Agreement, dated October 7, 1999, at 3, as approved by the PUC in Report and Order 16029, dated January 13, 2000.

reason why customers are charged the Default Transportation Service rate, which is the citygate price plus a 35% adder during the winter months and a 15% adder during the summer months. This was evident during the winter of 2014 when the GCR rate for Firm Sales Service customers was approximately $7 per Dktherm in February 2014 while the Default Transportation Service rate was more than six times higher at approximately $45 per Dktherm.

Furthermore, during the proceeding in Docket No. 2902, Mr. Oliver concurred with this construct of a service alternative for customers who have elected not to take a capacity assignment when he said "[i]t is more certain for them [capacity exempt customers] that they have a service that they can migrate to and a better service for firm customers in that they are insulated from large customer moving in that can impact the cost of firm gas supply…."[3] Lastly, requiring each marketer that serves Capacity Exempt customers to annually demonstrate prior to the start of each winter season that the marketer has contracted for sufficient firm capacity to serve the Capacity Exempt customers' design day requirements is pointless. It is well-known that the majority of marketers serving Capacity Exempt customers do not hold firm

[3] Docket No. 2902, Tr. at 39-40 (October 26, 1999).

transportation capacity. This is the very reason for the Company's proposal. Because marketers have not subscribed to long-term capacity to serve customers over the last two decades, there is no reason to believe they will begin to do so now. In addition, it would be administratively burdensome for the Company to monitor the marketer's supply activities.

For all of these reasons, the Company does not thinks it is necessary or warranted to police the marketers through metering or other administrative controls.

Q. Does the Company agree with the Division's recommendation that returning Capacity Exempt customers be subject to incremental pricing for assigned capacity for a period of at least three years in lieu of the requirement that these customers remain on Firm Sales Service for a period of time?

A. No. The Company does not believe that the Division's proposal for long-term incremental pricing is in the best of interest of its current Capacity Exempt customers, who are still Firm Transportation Service customers under the Company's Tariff. The Company is sensitive to the Division's concerns regarding the added costs that these returning Capacity Exempt customers impose on the system for which other customers may be required to pay. The Company believes that it has addressed that concern through the requirement that returning Capacity Exempt customers pay the higher of the Interim Market Rate or the GCR rate for a specified period of time. In addition, by requiring these customers to remain on Firm Sales Service for one full consecutive winter season, the Company is better able to balance the reliability of its portfolio and ensure a more orderly transition of these customers. Once Capacity Exempt customers elect to become Capacity Eligible, and therefore become part of the Company's planning load, the Company will make future portfolio decisions to address their needs as part of the overall portfolio.

Q. Does this conclude your testimony?

A. Yes.