

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC COMPANY : DOCKET NO. 3534
GREEN-UP SERVICE FILING

REPORT AND ORDER

I. NARRAGANSETT'S FILING

On July 11, 2003, on behalf of itself, Community Energy, Inc., Conservation Services Group ("CSG"), Green Mountain Energy Company, People's Power & Light and Sterling Plant, Inc. (collectively, "the Parties"), Narragansett Electric Company ("Narragansett") filed for review by the Public Utilities Commission ("Commission") a proposed new optional service designed to further two objectives. The optional service, "GreenUp," is designed to introduce new opportunities for Standard Offer Service ("SOS") and Last Resort Service ("LRS") customers to voluntarily support the growth of renewable energy resources and to expand the number of retail suppliers offering renewable energy alternatives.¹

Under the program, customers taking SOS or LRS will have the opportunity to purchase Renewable Energy Certificates corresponding to either a fixed block of energy or to a percentage of the customer's usage. According to Narragansett, customers will be invited, through a bill insert, to select a supplier from a list of participating suppliers ("GreenUp Supplier"). Once a customer selects a GreenUp Supplier, Narragansett will facilitate the transaction between the customer and the GreenUp Supplier by adding the purchase amount directly to the customer's monthly electric bill. The GreenUp program is voluntary and contains no minimum time commitment from customers. Furthermore, customers choosing not to participate in the program will not incur any incremental costs

associated with providing the GreenUp program. Instead, the GreenUp Suppliers will cover Narragansett's incremental costs associated with administering the GreenUp program.²

Narragansett indicated that the GreenUp program introduces retail choice for customers taking SOS or LRS by offering renewable certificates that meet the Green-e standards in an administratively simple manner with lower transaction costs than if a customer had to receive a bill directly from a GreenUp Supplier.³ According to Narragansett, both customers and the GreenUp Suppliers are benefited from the program design in that customers will not receive more than one bill and GreenUp Suppliers will not need to develop billing and tracking systems for the specific purpose of participating in the GreenUp program.⁴ Furthermore, under the GreenUp program, all associated transactions will be standardized.⁵

According to Narragansett, successful implementation depends upon the use of the New England Power Pool ("NEPOOL") Generation Information System ("GIS") for accounting and environmental disclosure purposes. The GIS allows tracking of the environmental attributes of generating units. As a result, GreenUp Suppliers can purchase the attributes or certificates from renewable generating sources and market them

¹ Narragansett Exhibit 1, Filing Letter, 7/11/03, p. 1.

² Id. at 1-2.

³ Green-e is a voluntary certification program for renewable electricity products. The Green-e Program sets consumer protection and environmental standards for electricity products, and verifies that Green-e certified products meet these standards. Electricity products that meet the Green-e Standard for environmental excellence are denoted by the Green-e logo. Green-e certifies renewable electricity products that meet the environmental and consumer protection standards established by the Program. The Program also requires that electricity providers disclose information about their product to their customers in a standardized format. This enables consumers to make informed purchasing decisions and helps to build consumer confidence in retail renewable electricity products. Through these efforts, the Green-e Program hopes to expand the retail market for renewable electricity products and for power from cleaner non-renewable generation. See the Green-e website at <http://www.green-e.org>.

⁴ Narragansett Exhibit 1, Filing Letter, 7/11/03, p. 2.

⁵ Id.

directly to Narragansett's customers using environmental disclosure statements. Accordingly, Narragansett indicated that a protocol had been developed regarding the disclosure statements that will be provided by the GreenUp Suppliers to its participating customers. Narragansett argued that because it has no legal obligation under Rhode Island law or regulatory mandate to prepare and send environmental disclosure statements to its customers for SOS and LRS, it has not proposed a change to its current practices. According to Narragansett, if it were to utilize the GIS to prepare and send environmental disclosure statements to its customers, it would be liable for increased GIS administrative costs.⁶

II. DIVISION'S POSITION

On September 9, 2003, Mr. David R. Stearns, a Rate Analyst with the Division of Public Utilities and Carriers ("Division"), filed a Memorandum in response to the GreenUp Filing. Mr. Stearns indicated that the Division had two main concerns regarding the proposal: (1) that all customers receiving distribution service from Narragansett, both SOS and LRS customers, be assured of an uninterrupted supply of electricity and (2) that customers who choose not to participate in the GreenUp program will incur no costs associated with GreenUp activities.⁷

According to Mr. Stearns, Narragansett satisfied the Division's concerns through the discovery process. Specifically, Narragansett stated that "all standard offer customers electing GreenUp Service who later decide to discontinue GreenUp Service will remain Standard Offer customers served by the Company....GreenUp Service customers

⁶ Id. at 2-3.

⁷ Division Exhibit 1, Memorandum of David R. Stearns, p. 1.

receiving Standard Offer never leave Standard Offer throughout the process.”⁸ Additionally, in response to the Division’s second concern, “the Company has designed the GreenUp Service program carefully to avoid increasing costs to customers that do not participate in the program. The Company intends to operate the program at zero or de minimus net cost to itself and non-participating customers.”⁹ Based on his review, Mr. Stearns indicated that the Division recommends approval of the implementation of a comprehensive GreenUp Service program.¹⁰

However, Mr. Stearns did note that, later in the discovery process, it became clear that the State Energy Office’s Rhode Island Renewable Energy Fund Advisory Board, some suppliers and various constituents have a very real interest in requiring some sort of disclosure by Narragansett regarding the composition of the power it procures on behalf of SOS and LRS customers. The Division indicated that this is a legitimate interest and that Narragansett should be able to provide the average source composition for its services and the current retail price on the same document on which the various GreenUp program products are offered.¹¹

III. MR. HAGER’S PRE-FILED TESTIMONY

Also on September 9, 2003, Narragansett submitted the pre-filed testimony of Mr. Michael G. Hager, Vice-President, Energy Supply - New England, to provide information regarding the NEPOOL GIS and how it will be used in relation to the proposed GreenUp Program. Mr. Hager explained that the NEPOOL GIS is an accounting system designed to track various characteristics or “attributes” of electric generation within NEPOOL. He

⁸ Narragansett Exhibit 3, Response to Division Data Request 1-5.

⁹ Narragansett Exhibit 3, Response to Division Data Request 1-11.

¹⁰ Division Exhibit 1, p. 2.

¹¹ Id. at 1-2.

indicated that for each MWH of electricity produced, one certificate is created. Each certificate contains information that includes identifying the specific generator that produced the power, the type of fuel used, the emissions characteristics of the generation and whether or not the generation qualifies for a mandated state program, such as a renewables portfolio standard.¹² The cost of operating the NEPOOL GIS is estimated to be \$2.2 million per year. Under NEPOOL's cost allocation methodology, the costs are allocated to retail load subject to "Attribute Laws," such as the statutory renewable portfolio standard in Massachusetts. The laws are defined as:

[A]ny statutes, regulations or orders or decisions of courts and governmental agencies...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....¹³

Because Rhode Island does not have an Attribute Law, Rhode Island's SOS and LRS customers have not paid any costs of the NEPOOL GIS to date. Furthermore, Mr. Hager opined that Narragansett could voluntarily provide disclosure information to customers without being subject to NEPOOL GIS costs as long as the provision of information is not required by a statute, regulation or court or agency order. Because the GreenUp suppliers will be required to provide disclosure, if NEPOOL should determine that the loads served under the GreenUp program are subject to an Attribute Law, the costs will be borne by the applicable GreenUp service providers and not by SOS and LRS customers not enrolled in the program. If, however, the Commission does require

¹² Narragansett Exhibit 2, (Pre-filed Testimony of Michael G. Hager), pp. 3-5.

¹³ Id. at 6.

Narragansett to disclose information, Narragansett anticipates it would be assessed approximately \$250,000 for which it would seek recovery from its customers.¹⁴

Turning to the relationship between NEPOOL GIS and the GreenUp program, Mr. Hager explained that even though Narragansett's SOS and LRS loads are not subject to Attribute Laws, the loads are still accounted for in the NEPOOL GIS. Narragansett will create separate accounts within its own NEPOOL GIS account for SOS, LRS and GreenUp service products. Narragansett will transfer the appropriate certificates to each account and provide the certificate information in each account to the applicable GreenUp supplier. The GreenUp supplier will be able to use the information to voluntarily provide disclosure information regarding the GreenUp product, Narragansett's SOS load, and LRS load, as applicable.¹⁵

IV. HEARING

On September 12, 2003 following due notice, the Commission conducted a public hearing at its offices at 89 Jefferson Boulevard, Warwick, Rhode Island. The following appearances were entered:

FOR NARRAGANSETT: Terry L. Schwennesen, Esq.
Thomas G. Robinson, Esq.
Judy Lee, Esq.

FOR DIVISION: William K. Lueker, Esq.
Special Assistant Attorney General

FOR COMMISSION: Cynthia G. Wilson, Esq.
Senior Legal Counsel

Narragansett presented Ms. Kathy Yetman, Manager of Supplier Services at National Grid, and Mr. David Jacobson, Principal Analyst in the Evaluation Research

¹⁴ Id. at 6-8.

¹⁵ Id. at 8-9.

Group at National Grid. The Division presented Mr. David Stearns. In addition, Ms. Pat Stanton attended on behalf of CSG, Mr. Jeff Keeler attended on behalf of Community Energy, Mr. Erich Stephens attended on behalf of People's Power & Light, and Ms. McClanaghan, and Mr. Robert Grace attended on behalf of the Rhode Island State Energy Office.

Mr. Robinson summarized the GreenUp program, explaining exactly what customers will experience. All customers will receive a ballot in the mail explaining the program and inviting the customer to sign up. Once a customer enrolls in GreenUp, the additional charge for the renewable energy will appear as a separate line item on that customer's bill. Narragansett will collect the charge from the customer and transfer the funds electronically to the GreenUp Supplier's account. He clarified that if a customer enrolled in the program decides to terminate, such termination will occur in two business days from the time the supplier or Narragansett is notified.¹⁶

Mr. Robinson reiterated that a customer enrolling in this program will not cease to purchase power through SOS contracts. Additionally, this program is not replacing the fossil fuel power with the amount of certificates purchased. This is because Rhode Island customers have no entitlement to power from specific generators. However, as more and more certificates are purchased, more and more renewable energy will be brought on line for purchase. Furthermore, as suppliers enroll more customers, the supplier will receive a premium for the renewable supply. The renewable generator will be able to then bid into the power pool more aggressively, adding to the mix of power that is dispatched.¹⁷

¹⁶ Tr. 9/12/03, pp. 13-28.

¹⁷ Id. at 53-61.

Mr. Robinson noted that Narragansett and the Suppliers had managed to work out many of their disputed issues, with the exception of a couple. Turning to the issue of disclosure, he noted that the GreenUp suppliers' request that the Commission require Narragansett to disclose the attributes associated with its SOS and LRS loads would create a cost to ratepayers. Therefore, Mr. Robinson indicated that this would violate the rule that the GreenUp program not harm non-participating customers. However, Mr. Robinson indicated that he believed that Narragansett had come up with a solution that would accommodate everyone involved and would provide information to customers at the point of purchase. Mr. Robinson provided proposed language for inclusion in the ballots that will be sent to SOS and LRS customers for enrollment into the GreenUp program. The proposed language will provide customers with the overall generation for SOS and LRS combined for the previous calendar year.¹⁸

On behalf of People's Power & Light, Mr. Stephens indicated his support for Narragansett's voluntary disclosure. However, he expressed some concerns regarding the format of the ballot information, making it easier for customers to read and comprehend. He also raised concerns regarding the distinction between small and large hydropower plants. He requested that clarification be provided to customers. Additionally, he requested more information on the number of times the ballot will be mailed to customers. Finally, Mr. Stephens indicated that he was not trying to hold up the process or completely sort out all of the details at the hearing, but simply wanted to raise them as additional issues to discuss. The parties also raised the issue of some form of geographic disclosure of products. Mr. Robinson responded that Narragansett will continue to work

¹⁸ Id. at 25-29.

with the Suppliers to address their concerns as the parties move toward finalizing the ballots and enrollment procedures.¹⁹

Commenting on Mr. Stephens' concerns, Mr. Lueker, on behalf of the Division, stated that while the Division probably shares some of the concerns regarding formatting and "things like that," the Division believes the substance is strong and will provide consumers with the important information they need to make an informed decision.²⁰ Providing further input, Ms. McClanaghan indicated that the SEO will be holding meetings with all marketers in October and the meeting could provide a forum to resolve the concerns raised at this hearing.²¹ Finally, Ms. Stanton and Mr. Keeler, representing suppliers, indicated that they agreed with the language and look forward to working with the other parties regarding format.²²

Turning to a second issue of contention between Narragansett and the suppliers, Mr. Robinson indicated that there was concern regarding what would constitute customer authorization for enrollment into the GreenUp program. Under the Commission's Rules Regarding Nonregulated Power Producers ("NPPs"), it is anticipated that the customer and supplier will enter into a formal contract. One reason for this is because once a customer enters into a power supply contract with an NPP, that customer is no longer eligible for SOS. However, in this program where a customer is not leaving SOS, in order to simplify the enrollment process and still ensure customer protection, the ballot will include a return post card. Once a customer signs the post card that includes his or her account number and returns it, the Supplier will enroll the customer and send a

¹⁹ Id. at 35-38, 47-48.

²⁰ Id. at 38-39.

²¹ Id. at 39-40.

²² Id. at 40.

welcome package which fully outlines the terms and conditions of the program. The customer has a three-day period to review the package and rescind the transaction. Additionally, Narragansett suggests that an e-mail from a customer would suffice. In response to a question from the bench, a customer may call in to Narragansett to obtain his or her account number, but a supplier cannot obtain a customer's account number. The reason for this is that under the Commission's NPP Rules, the customer's account number is verification of the customer's intent to enroll.²³

Addressing timing, Mr. Robinson indicated that although the parties are seeking a November 1, 2003 effective date, the first offering will most likely be made to customers in January 2004. This will provide more time to finalize the design of the ballot and will not interfere with busy end-of-the-year schedules customer face.²⁴

Addressing another issue, Mr. Jacobson, Ms. McClanaghan and Mr. Grace discussed the interaction of the GreenUp program with the Renewable Energy Certificate incentive program offered by the SEO through its administration of the Renewable Energy Fund. They explained that the two programs will work in conjunction with one another.²⁵

Finally, Narragansett agreed to provide the Commission with an analysis of the success of the program after the first six months of the program and on the anniversary of the initial offering. Mr. Robinson indicated that there are several measures Narragansett believes indicate the level of success of the GreenUp program. He noted that the first, interest from several suppliers, has been met. The second is the number of customers

²³ Id. at 40-45.

²⁴ Id. at 45, 63-64.

²⁵ Id. at 46-47.

who enroll in the program, the third is customer satisfaction in the credibility of the program and the fourth is supplier satisfaction.²⁶

V. COMMISSION FINDINGS

After reviewing the filings and considering the evidence presented at the hearing, the Commission approved the GreenUp Program filed by Narragansett and signed onto by the Parties. The Commission's main concerns when this idea was first informally suggested by Narragansett were that it be a voluntary program which would not put customers at risk of losing their ability to take SOS and would not impose a cost on customers who do not want to enroll. Narragansett has satisfied those concerns. Narragansett has facilitated enrollment in a program that will allow those customers who wish to pay a premium to encourage the development and expansion of renewable energy sources without having to leave the certainty of their current energy supply. However, it is not mandated that all customers must face a rate increase through the implementation of this program. The Commission is concerned with any proposed program that purports to increase utility bills where such programs are not imperative to the continued supply of energy.

The Commission is pleased that Narragansett has worked with Suppliers and the SEO to address their concerns associated with this program and that it will continue to do so. With regard to Narragansett's voluntary disclosure of the regional generalized attributes associated with SOS and LRS, as set forth in its Exhibit 6, the Commission is pleased that Narragansett was able to work with the Parties to come to a resolution of this issue. Acceptance of this language by the Commission is in no way a mandate that Narragansett provide a more detailed disclosure under the GreenUp program.

²⁶ Id. at 64-67.

The Commission looks forward to receiving the revised materials that will be included in the initial enrollment prior to their issuance as agreed to by Ms. Schwennesen at the hearing. The Commission will also be interested in Narragansett's assessment of the success of the program in accordance with the four measures Mr. Robinson discussed at the hearing.

Accordingly, it is

(17753) ORDERED:

1. That Narragansett Electric Company's GreenUp Program is hereby approved.
2. That Narragansett shall continue working with the Suppliers to address formatting concerns regarding the ballots and voluntary disclosures.
3. That Narragansett shall file six-month assessments of the success of the program, with the first being due six months after the initial enrollment period.
4. That Narragansett shall comply with all other instructions contained herein.

EFFECTIVE AT WARWICK, RHODE ISLAND ON NOVEMBER 1, 2003
PURSUANT TO A BENCH DECISION ON SEPTEMBER 12, 2003. WRITTEN
ORDER ISSUED ON FEBRUARY 16, 2004.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Kate F. Racine, Commissioner

Robert B. Holbrook, Commissioner