

## **Memorandum**

**To: To the Energy Efficiency and Resources Management Council  
(EERMC)**

**From: Sam Krasnow, EERMC Member**

**Date: November 12, 2009**

**RE: November 9th Work Session on Decoupling**

**The EERMC held a work session on Monday November 12, 2009 to discuss the details of the decoupling proposals and the rate case of National Grid currently in front of the PUC.**

**The work session was started by brief presentations from three invited experts to the EERMC including in order, Tom Teehan of National Grid, John Farley of TEC-RI and Jeremy McDiarmid of Environment Northeast and then was followed by a Council**

**discussion.**

**Mr. Teehan laid out the key elements of the proposal in front of the Public Utilities Commission and included a description of why National Grid believes it is consistent with state policy to adopt decoupling in Rhode Island.**

**Mr. Farley described in some detail the four elements of the company's revenue decoupling plan which include:**

- (1) Decoupling revenues from kWh deliveries**
- (2) Impact of inflation since the rate case**
- (3) Impact of cumulative capital additions since the rate case**
- (4) Impact of capital expenditures in the current year, based on formula reflecting average capital spending in last two years.**

**Mr. Farley emphasized that National Grid's revenue decoupling ratemaking plan was thus much more than simply a true up of revenue to an approved amount.**

**Mr. McDiarmid agreed with Mr. Farley and stressed that Environment Northeast was interested in the severing the link between revenue and sales, which can be accomplished by (1) above. Mr. McDiarmid explained in some detail how this separation, the simple true-up, was necessary to remove the company's disincentive to achieve greater investments in energy efficiency and allow for more distributed and customer-sited sources, which would both save ratepayers money and produce environmental benefits for the state of Rhode Island.**

**A long discussion of the Company's proposal and the mandate of the Council occurred with follow up questions for the three experts as well as for the Council's expert witness Mark Lowry who participated via phone briefly as a resource to the Council. Several Council the members expressed that the Council's mandate most squarely related to (1) decoupling revenues from kWh deliveries.**

**The Council decided they did not have enough information about how exactly the company's proposal would benefit the consumer and decided to send a letter to the Company requesting they provide such information.**

**A draft of that letter was to be prepared by Sam Krasnow and discussed at the Council meeting on Thursday November 12, 2009.**