

## Energy chief gauges cost control, competition in R.I.

BY KATIE HAUGHEY  
HAUGHEY@PBN.COM

**PBN:** How and why did TEC-RI form?

**FARLEY:** It really formed in the late 1990s, early 90s. At that time, like now, we had some increases in energy costs. And at the same time, there was beginning to be some discussion about possibly beginning to deregulate the electricity and natural gas industries. It was pretty much driven by the manufacturing community in Rhode Island. They decided they needed to have a unified voice when it came to the issues that were either before the Public Utilities Commission or before the Legislature when it came to energy. I believe soon after Roger Buck retired from the state energy office. Since he was looking for something to do, and they were trying to form an organization, they decided to get together and see what they could do.

**PBN:** Do other states or regions have a similar type of organization?

**FARLEY:** They do. In fact, we have a sister organization in Massachusetts called the Energy Council. They take different forms. Sometimes, they're affiliated with the Chambers of commerce. Sometimes they include both end-users and suppliers. Those types are more of dialogue groups. We're much more advocacy and watchdog group. In Rhode Island, the members of our group are only end-users. Recently, the members met to draft a policy that would keep the group end-users only, so it would keep a mission and a focus. They don't want to dilute it, so to speak, by bringing in the supplier community. Plus, what often happens is it turns into a sales opportunity rather than a business meeting – and some people are uncomfortable with that.

**PBN:** How is TEC-RI doing in attaining competitive energy costs

in Rhode Island?

**FARLEY:** We're not doing great. For example, in electricity prices in the industrial class, we are looking at a list of 170 cities in the U.S., and Rhode Island is in the top 20 for highest costs – Narragansett Electric, 10 cents a kilowatt hour. Whereas you can go toward the bottom of the list, they're under 5 cents a kilowatt hour. In fact, we've got some members who have competitors or other facilities in places like Virginia and Washington state and they're always looking at these disparities in cost and asking why does it have to be like that?



FARLEY

**PBN:** Why is it like that?

**FARLEY:** The top three reasons it's like that have to do with natural resources that are close by, the regulatory climate and when you're in a densely populated area, you have to be more careful about how you construct facilities, award permits and so forth. I wouldn't discount the geographic area in terms of the lack of natural resources – particularly natural gas. That's a major thing – we're sort of at the end of the pipeline for existing sources of natural gas. If you think about just markets and transportation costs, supply and demand, people have access to it before we do.

**PBN:** What can you do to work toward lowering energy costs?

**FARLEY:** We ask that question a lot. It's separated into resources and markets. You try to do both. Generally, you can create the conditions whereby it's more attrac-

tive for suppliers to add to the supply in the region. You can make it easy or hard to site new facilities. You can make it easy or hard to allow major suppliers to do business in your state. In addition, you have the ability to make the market itself either more efficient or less. We've had a very difficult time in encouraging competition in Rhode Island. I think part of that is the way that we have set the rules and those things if we have the will to do so are pretty easy to change. It's a combination of a big picture understanding of what would make the energy industry want to bring more sources of supply here and once it gets here, make it easy for more competition or more innovation to occur so someone who gets a better idea or better way of pricing and so forth can actually do business well in the state.

**'We've had a very difficult time in encouraging competition in Rhode Island.'**

**PBN:** What specifically is TEC-RI working on to make Rhode Island a more competitive marketplace?

**FARLEY:** When you break that down, we focus on about four major areas. The first is regulatory. Even though we say we have competition, much of the industry is still highly regulated. In fact, all of it really is when you come right down to it. In particular, the distribution of the energy is still completely under the jurisdiction of the Public Utilities Commission. Basically what we do is represent users in major rate cases before the commission. When there are things at stake that can benefit our members, we show up. We do what we can in the process, we hire attorneys when it comes to that, we hire consultants and we try to find things that aren't neces-

sary in terms of cost increases and make those an issue.

**PBN:** What advice do you have for small- to medium-sized businesses to reduce their energy costs?

**FARLEY:** There's two pieces – what they can do to use energy more efficiently. There are a lot of things that can be done with their lighting, heating and cooling systems to make them more efficient. In addition to that, we do have competition in the state. While we wish they were more active, there still can be opportunities for small businesses to work together to have the necessary marketing clout to affect change. There are other things – sometimes there are billing errors that can be caught. Some customers may be eligible for a different rate – it might be cheaper. Get advice when you need to. The closest thing to an energy advocacy group for smaller businesses would be a Chamber of commerce. They do some things with similar cost areas – like health insurance. We'd love it if we could sit down with them and see ways we can work together.

**PBN:** How likely is it there can be changes to the competitive energy marketplace?

**FARLEY:** We'd have to make some significant changes. We'd have to realize we're part of a regional market and be willing to set up our market just like Connecticut and Massachusetts so that one major supplier can come in and serve all three states with the same rules rather than do it three times. I think honestly those two are equally likely – that we go back to a case where most people are comfortable with just one big player buying electricity for them, like residential customers and small businesses. And then maybe the large guys can have a competitive market. ■

### INTERVIEW

#### John Farley

**POSITION:** Executive Director, The Energy Council of Rhode Island (TEC-RI)

**BACKGROUND:** Farley is an independent energy consultant. He previously held senior technical, executive and sales positions with several energy companies, including Silicon Energy, the R.I. State Energy Office, NSTAR, A&C Enercom, LODESTAR and EPS Solutions.

**EDUCATION:** B.S. physics, Providence College

**RESIDENCE:** Cranston

**AGE:** 44