

The Rhode Island Energy Efficiency and Resource
Management Council (EERMC)

Voting Members

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April 1, 2011

VIA Hand Delivery & Electronic Mail

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

RE: Docket 4202 Electric and Natural Gas Least Cost Procurement Efficiency Savings Targets for Years
2012-2014 in Compliance with R.I.G.L. §39-1-27.7

Dear Ms. Massaro:

On behalf of the Energy Efficiency and Resource Management Council (“EERMC”), National Grid, the
Division of Public Utilities and Carriers (“Division”), and Environment Northeast (“ENE”), I am submitting
the enclosed joint response to the question posed by the Rhode Island Public Utilities Commission
(“Commission”) about the Energy Savings Targets for 2012-2014 following the technical session held on
March 15, 2011.

Thank you for your attention to this matter.

Respectfully submitting,

/s/ Daniel Prentiss

On behalf of the EERMC and Settling Parties
R. Daniel Prentiss, Esq.

CC: Docket 4202 Service List

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: R.I. ENERGY EFFICIENCY AND RESOURCE)
MANAGEMENT COUNCIL’S PROPOSED ELECTRIC) DOCKET NO. 4202
AND NATURAL GAS SAVINGS TARGETS)
_____)

**BRIEF IN RESPONSE TO INQUIRY BY THE
PUBLIC UTILITIES COMMISSION DATED MARCH 18, 2011**

On March 18, 2011, counsel for the Public Utilities Commission (“Commission”) requested that the parties submit a short brief (2-3 pages) addressing whether the cost-effective standard set forth in the least cost procurement statute, R.I.G.L. § 39-1-27.7(c)(5) applies to the energy efficiency savings targets submitted by the Energy Efficiency and Resources Management Council (“EERMC”) in this docket pursuant to the revenue decoupling law, R.I.G.L. § 39-1-27.7.1(e)(4) and (f)¹. The Commission’s inquiry stems from a discussion regarding cost-effectiveness of energy efficiency measures during the March 15, 2011 technical conference. Statements, including those from Mr. Scudder Parker, were made during an exchange of ideas regarding these measures and were not intended to suggest, either explicitly or implicitly, that the cost-effectiveness standard as prescribed in § 39-1-27.7(c)(5) applies to the savings targets under § 39-1-27.7.1(e)(4). Rather, to clarify Mr. Parker’s statements, the savings targets are composed of measures that are, or will be found to be, cost effective within the framework of the legislation, as further explained below. Therefore, for the reasons set forth below, the undersigned parties answer the Commission’s question in the negative.

The backdrop for the Commission’s inquiry, and for the filings in this Docket, is the 2010 energy legislation, which enacted a new section, § 39-1-27.7.1, requiring the implementation of revenue decoupling and requiring the EERMC to propose energy efficiency savings targets for the distribution utilities. The proposed energy efficiency savings targets pursuant to R.I.G.L. § 39-1-27.7.1(e)(4) and (f) are based on the EERMC’s assessment of the potentially available cost-

¹ Subsection (e)(4) states, in part, that “[t]he commission shall review and approve with any necessary amendments performance-based energy savings targets developed and submitted by the Rhode Island energy efficiency and resources management council.”

effective efficiency resources in Rhode Island. It is important to note that the energy efficiency savings targets are just that, *targets* of what the EERMC assessment *estimates* is potentially available for cost-effective efficiency.

The EERMC retained KEMA to conduct an Opportunity Report to estimate the potentially available cost-effective electric efficiency resource through on-site visits and phone surveys with electric customers. The EERMC retained the VEIC/Optimal consulting team to estimate the potentially available cost-effective natural gas efficiency resource from a review of other states' studies of potential savings and program results.

The purpose of these energy savings targets is to give the utility guidance on the potentially available cost-effective efficiency resources in the state that will feed into the normal Least Cost Procurement ("LCP") 3-year and annual efficiency program planning processes.² During these normal planning processes required by Rhode Island law, the efficiency programs and budgets are developed by the utility and the cost-effectiveness of the budgets and programs is reviewed and approved by the EERMC before being filed with Commission. In addition, the Parties provide crucial and substantial input and contributions from diverse stakeholders during the development of the 3-year efficiency procurement and annual efficiency program plans.

In May, June, July, and August the EERMC and the Parties will work with National Grid³ on developing a 3-year LCP Plan with an estimated 3-year budget. The 3-year LCP Plan has to be cost-effective and reviewed and approved by the EERMC as cost-effective pursuant to R.I.G.L. 39-1-27.7(c)(5) and has to be submitted to the Commission by September 1, 2011.⁴

In September and October the EERMC and the Parties will work with National Grid on the annual program implementation and detailed budget plan – including a fully reconciling funding mechanism proposal – for 2012. Under Rhode Island law the 2012 Annual Program

²The efficiency savings targets are intended to serve as guideposts with the objective of ensuring that the purposes of revenue decoupling are achieved. See R.I.G.L. § 39-1-27.7.1(e)(4) ("The commission shall review and approve with any necessary amendments performance-based energy savings targets development and submitted by the Rhode Island energy efficiency and resources management council. Said performance-based targets shall also be used as a *consideration* in any shared savings mechanism established by the commission pursuant to subdivision (3) herein." (italics added)). The energy savings targets are intended to be planning guidelines that set a trajectory for least cost procurement planning but that can be reviewed and adjusted annually in light of current data and information.

³ The Narragansett Electric Company d/b/a National Grid (hereinafter referred to as "National Grid").

⁴ See Transcript, at p. 24, lines 6-17. Mr. Parker describes the process for determining the cost-effectiveness of energy efficiency programs and plans. Through this process, explains Mr. Parker, it will be shown whether the targets can be met cost-effectively via the proposed plan and budget. Id. The targets are subject to annual review and revision in light of that determination. See Transcript, at p. 25, lines 5-18.

Plan has to be cost-effective and reviewed and approved by the EERMC as cost-effective according to R.I.G.L. 39-1-27.7.(c)(5). It is required that the plan is submitted to the Commission for approval by November 1, 2011.

In summary, while the robust and detailed 3-Year Efficiency Procurement Plan and the related annual Efficiency Program Plans are subject to the cost-effectiveness standards of § 39-1-27.7(c)(5), the targets developed by the EERMC under R.I.G.L § 39-1-27.7.1(e)(4) and (f) are not subject to the cost-effectiveness standard , because as high level estimates, the purpose of the targets is simply to guide the development of those plans. The 2010 legislation recognizes that the energy savings targets themselves do not constitute a plan, but rather the targets are just high-level estimates of the potentially available cost-effective efficiency, whose function is to guide the development of actual 3-year LCP and annual efficiency plans.

In contrast, R.I.G.L. § 39-1-27.7(c)(5) prescribes a cost-effective standard to the “[3-year LCP] plan ...and any related annual plans,” as those plans, with their associated efficiency budgets and cost-effectiveness proposals, are required to be reviewed for cost-effectiveness by the EERMC prior to submission to the Commission triennially on September 1and annually on November 1, respectively.

Respectfully submitted,

Energy Efficiency and Resource Management Council

/s/

By its attorney
R. Daniel Prentiss, Esq.

Date

NATIONL GRID

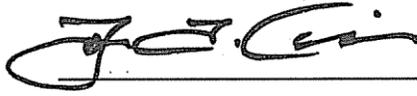
By its attorneys,



April 1, 2011

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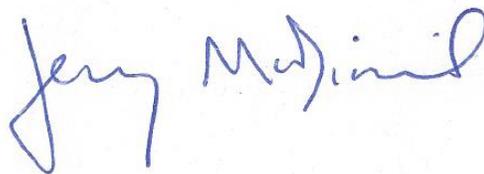
April 1, 2011

By its attorney

Date

Jon Hagopian, Special Assistant Attorney General.

ENE (Environment Northeast)

A handwritten signature in blue ink that reads "Jeremy C. McDiarmid". The signature is written in a cursive style with a large initial 'J'.

Jeremy C. McDiarmid, Esq.

Date