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

September 1, 2010

Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Energy Efficiency Savings Targets

Dear Commissioners Germani, Bray, and Roberti,

By way of this letter and its attachments, the Energy Efficiency and Resource Management Council, ("EERMC" or "Council") respectfully submits to the Commission for approval, high-level electric and natural gas energy efficiency savings targets for National Grid's efficiency procurement through 2014 consistent with Least Cost Procurement ("LCP").

Introduction and Legal Context

The procurement of the efficiency savings and meeting the targets included in this filing represents a tremendous economic opportunity for the state. A rough approximation, based on extrapolation from past program results, of the net benefits to Rhode Island consumers if the proposed energy savings targets are achieved is between \$500 and \$600 million. This estimate is preliminary and while estimates of net benefits will be refined and specifically detailed in the next three year plan (due to PUC in September of 2011), preliminary calculations indicate that meeting the proposed targets included in this filing will increase Gross State Product by more than \$1 billion and create more than 11,000 job-years.

These efficiency savings targets submitted to the PUC by the EERMC will accomplish roughly those economic benefits while complying with the Least Cost Procurement provisions of Rhode Island law that require the procurement of all electric and natural gas efficiency that is cheaper than supply (*i.e.*, R.I.G.L. § 39-1-27.7.2, which states "*least-cost procurement, which shall include procurement of energy efficiency and energy conservation measures that are prudent and reliable and when such measures are lower cost than acquisition of additional supply, including supply for periods of high demand*").

The Council respectfully submits these performance-based energy efficiency savings targets to the Commission for review and approval in accordance with R.I.G.L. § 39-1-27.7.1(f), which states:

“The Rhode Island energy efficiency and resources management council shall propose performance-based energy savings targets to the commission no later than September 1, 2010. The targets shall include, but not be limited to, specific energy kilowatt hour savings overall and peak demand savings for both summer and winter peak periods expressed in total megawatts as well as appropriate targets recommended in the opportunities report filed with the commission pursuant to subdivision 39-2-27.7(c)(3).”

In order to be of service to the Commission and the electric and gas consumers of the state, as well as meet its legal requirements under Least Cost Procurement, the Council and its technical consultants have devoted substantial time and resources to researching and developing efficiency savings targets that are cost-effective and cost less than supply. The development of these targets relied upon an in-depth, lengthy study commissioned by the EERMC and conducted by KEMA – *Phase II of the Opportunity Report* (see Attachment B) – which identified cost-effective efficiency resources in Rhode Island. KEMA conducted more than 450 surveys and on-site visits with Rhode Island electric and natural gas customers over the course of the past 18 months in order to identify the size of the cost-effective efficiency resource that is cheaper than supply that exists in Rhode Island.

The Council recommends the adoption and required implementation of these savings targets to ensure that National Grid’s efficiency procurement and programs generate hundreds of millions of dollars of bill savings for its customers by investing in all efficiency resources that are lower cost than supply as required by R.I.G.L. § 39-1-27.7(a)(2).

The EERMC respectfully requests that the PUC approve these high-level electric and natural gas least cost procurement efficiency savings targets for the years 2012-2014. In addition to complying with the LCP provisions of RI law, PUC approval will provide National Grid and the EERMC with the direction needed to start planning and preparing its upcoming detailed second 3-year LCP plan, which is required to be submitted to the PUC next year.

Summary of the Electric and Natural Gas Energy Efficiency LCP Savings Targets

The Council’s proposed annual and cumulative energy efficiency saving targets through the year 2014 are presented in Attachment A.

Electric Energy Efficiency Savings Targets

The electric energy efficiency targets start with the third year of the Least Cost Procurement Plan for 2009-2011 that was approved by the Commission on April 17, 2009. This first 3-year electric EE Procurement Plan requires National Grid to achieve an increase each year in efficiency savings targets between 2009 and 2011 that when fully implemented will save customers more than \$280 million. Accordingly, for the 2011 electric savings targets, the Council simply proposes the level of savings already currently required for 2011 from the Commission-approved 2009-2011 EE Procurement Plan: savings of 102,566 MWh and 17,815 annual kW, with net benefits to consumers of \$109 million.

To identify how much potential there is for electric efficiency savings that are cheaper than supply and submit appropriate targets to the PUC for the 2012-2014 planning period, the Council relied in part on Phase II of the Opportunity Report recently completed by KEMA, Inc. Phase II of the Opportunity Report entailed more than 450 specific surveys and site-visits with Rhode Island residential, commercial, and industrial electric customers and is the most detailed estimate of the electric efficiency potential conducted in Rhode Island to date. The Phase II Opportunity Report (Attachment B) identified an average annual technical potential of 3.4% of load, an economic potential of 2.9%, and an average annual achievable potential of 2.7% of load for electric efficiency resources in the state. As a result of this potential identified by KEMA's Phase II Opportunity Report and in accordance with R.I.G.L. § 39-1-27.7.1(f), which refers to the EERMC's use of the report for this purpose, the Council recommends annual efficiency savings targets that will achieve a steady increase to this identified potential, recommending targets in 2012, 2013, and 2014 that are 1.7%, 2.1%, and 2.5% of load, respectively. These targets are needed to build groundwork for the procurement and programmatic strategies that will enable the investment in the amount of efficiency identified in Phase II Opportunity Report by 2015.

Natural Gas Energy Efficiency Savings Targets

Pursuant to recent revisions to R.I.G.L. § 39-1-27.7, Least Cost Procurement has been expanded to natural gas in 2011 – National Grid is now required to also procure all natural gas efficiency resources that are cost effective and cheaper than supply through efficiency program expansion – affording gas consumers in Rhode Island the opportunity to realize greater financial savings. In keeping with the requirement of securing all cost-effective efficiency opportunities that will save natural gas customers money, the Council's proposed target for 2011 for natural gas efficiency savings, 138,514 MMBtu, represents a significant and achievable level of savings for the state in the coming year.

In terms of efficiency savings targets for 2012-2014 for natural gas, the EERMC's proposed savings goals are designed to triple efficiency savings for consumers from 2010 levels by 2014 to procure gas efficiency resources that are cheaper than supply as required by RI law. Consistent with Rhode Island legislation, the proposed savings goals for natural gas represent aggressive efforts to capture all cost-effective energy efficiency for natural gas customers. The Council recommends annual natural gas efficiency savings target to achieve a steady increase to these levels in 2012, 2013, and 2014 that are 0.75%, 1.0%, and 1.2% of load, respectively, and which will save consumers tens of millions of dollars.

Benefits of Implementing the Energy Efficiency Savings Targets

The following graphs illustrate high-level, preliminary estimates of the economic and energy benefits for consumers and the state of these proposed savings targets. The estimates of net benefits, gross state product, and job creation are preliminary and intended to be illustrative of the magnitude of the potential benefits of achieving these energy efficiency targets at a cost lower than supply. These benefits will be much further refined and detailed in the 2012-2014 Electric and Natural Gas Energy Efficiency Procurement Plan which will be submitted to the PUC by National Grid with substantial input from the Council as required by September 2011. Further documentation of the benefits and the size of the efficiency resource that is cheaper than supply is found in Phase II of Opportunity Report included as Attachment B.

Figure 1. Electric Efficiency Energy Savings Targets by Program Year (kWh)

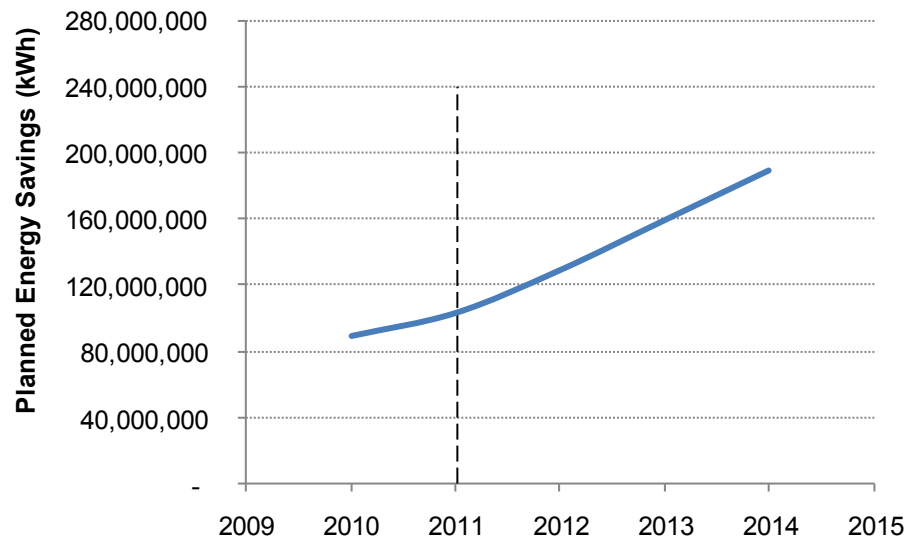


Figure 2. Natural Gas Efficiency Energy Savings Targets by Program Year (MMBtu)

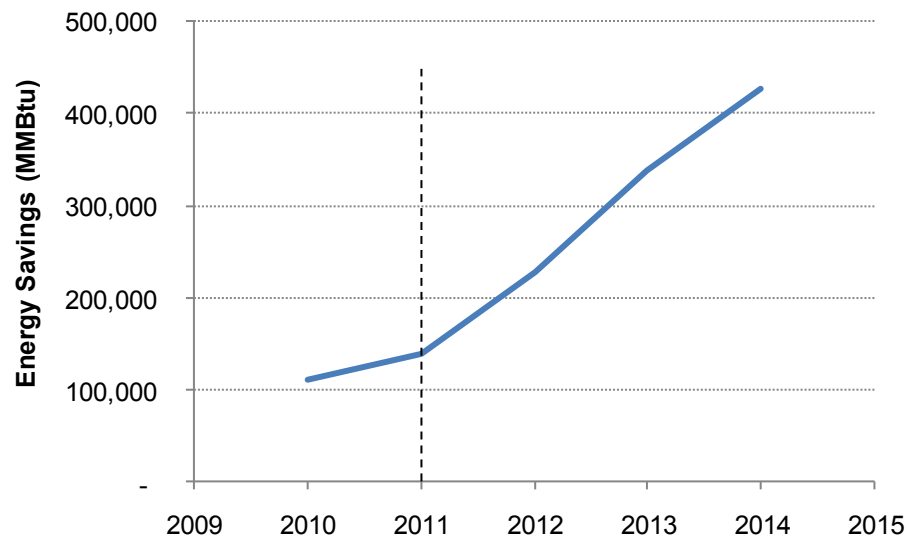
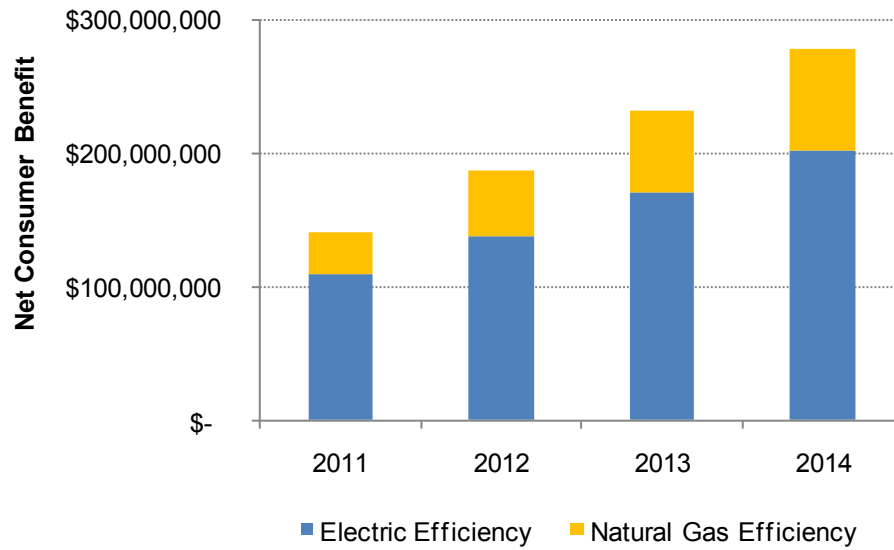


Figure 3. Rough Estimates of Net Economic Benefit to Consumers by Program Year*



*Source: Preliminary rough ENE estimate based on extrapolation from past program results

Figure 4. 2014 Annual Electric Energy Savings Targets vs. Technical, Economic, and Achievable Energy Efficiency Potential

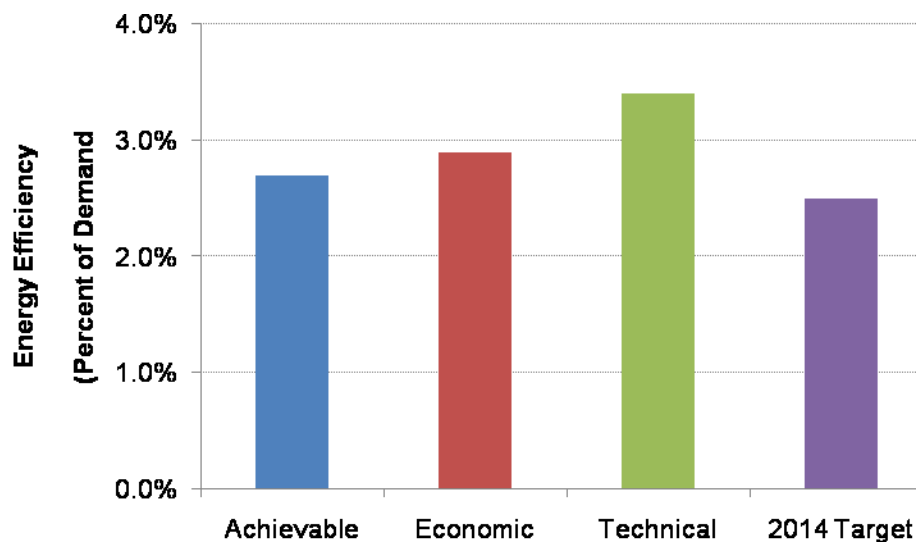
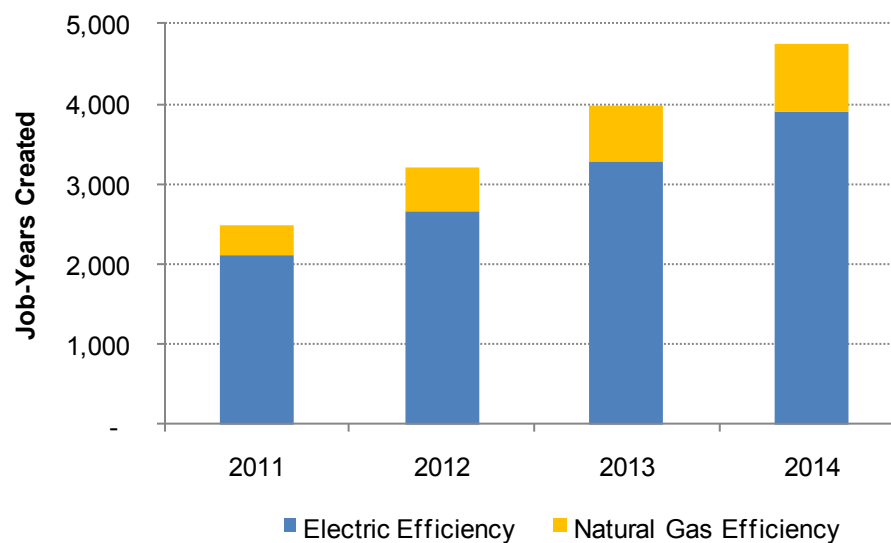
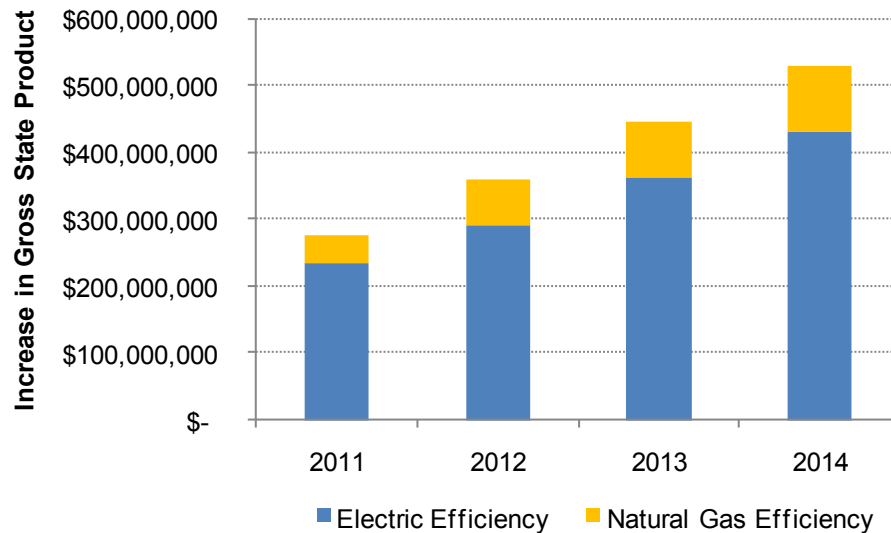


Figure 5. Rough Estimates of Job -Years Created from Electric and Natural Gas Efficiency Targets*



*Source: Preliminary ENE estimate based on *Energy Efficiency: Engine of Economic Growth*, 2009

Figure 6. Rough Estimate of Increases in Gross State Product from Electric and Natural Gas Efficiency Targets*



*Source: Preliminary ENE estimate based on *Energy Efficiency: Engine of Economic Growth*, 2009

Conclusion

The Council is excited to work with the Commission on behalf of the state's electric and natural gas consumers to bring significant energy cost savings by ensuring that all efficiency resources cheaper than supply are captured. To do so, it is essential that we set these appropriate high-level energy efficiency savings targets for National Grid's procurement and program activities for 2011 to 2014. These efficiency savings targets mark a clear path to attaining the objectives and requirements of the Least Cost Procurement mandate of Rhode Island's 2006 Comprehensive Energy Bill and will provide high-level guidance to National Grid's development of their second 3-year plan for 2012-21014 over the upcoming year. The savings targets also create a framework and goal posts to ensure the new revenue decoupling era for Rhode Island facilitates hundreds of millions of dollars in consumer savings from greatly enhanced efficiency offerings and programs.

It is the Council's hope that the Commission will approve the proposed high-level energy savings goals filed today so that the Council will have the clear direction it needs to engage with National Grid over the course of the coming year to prepare a detailed EE Procurement Plan for 2012-2014 required to be filed with Commission by September 1, 2011.

The proposed energy savings goals will be updated annually as needed, in concert with the annual and three-year program planning and funding cycle for Least Cost Procurement. In preparation for the 2012-2014 planning period, the Council, in collaboration with National Grid, will develop detailed program plans and budgets for electric and natural gas efficiency consistent with the savings goals. The 2012-2014 plan for electric and gas efficiency will be filed with the PUC on September 1, 2011, pursuant to R.I.G.L. § 39-1-27.7. Future updates to the goals will be considered annually, based on updated savings potential estimates, performance data, and other evaluation studies, as appropriate.

The proposed performance-based energy savings targets are based on thorough research and analysis of the cost-effective energy efficiency potential in Rhode Island that costs less than supply

and an evaluation of the efficiency programs to date. This proposal is also the product of significant discussions and negotiation between the Council and National Grid and is broadly supported by both parties. The Council, National Grid and many other Rhode Island stakeholders support these savings targets because of the significant bill savings they will generate for Rhode Island consumers and because setting such targets will comply with the requirements of Least Cost Procurement as required by RI law. The EERMC and its expert consultants are always available to answer any questions the Commission may have and provide assistance in any manner that would be helpful to achieve the shared goals of reducing electric and natural gas consumers' bills through efficiency investments that are lower cost than supply.

Respectfully Submitted,

THE RHODE ISLAND ENERGY EFFICIENCY AND RESOURCE
MANAGEMENT COUNCIL

By its attorney,
/s/ R. Daniel Prentiss

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CERTIFICATE OF SERVICE

I hereby certify that on the 1st day of September, 2010, I delivered a true copy of the foregoing document either by first class mail or by electronic mail to the Rhode Island Public Utilities Commission as required by R.I.G.L. § 39-1-27.7.1(f).

/s/ R. Daniel Prentiss

R. Daniel Prentiss

Attachment A: *Performance-Based Energy Efficiency Savings Targets*

Electric Energy Efficiency Savings Targets

Program Year	2011*	2012	2013	2014
Savings Target (Percent of 2009 Retail Energy Sales)	1.36%	1.7%	2.1%	2.5%
Annual Energy Savings (MWh)	102,566	128,570	158,820	189,068
Summer Demand (kW)	18,512	23,204	28,664	32,759
Winter Demand	17,197	21,556	26, 628	30,432

* Based on existing Commission-approved EE savings targets for 2011
(Commission Order April 17, 2009)

Natural Gas Performance-Based Energy Savings Targets

Program Year	2011	2012	2013	2014
Savings Target (Percent of 2009 Retail Energy Sales)	0.5%	0.75%	1.0%	1.2%
Annual Energy Savings (MMBtu)	138,514	263,738	338,120	427,100

Attachment B: *Phase II of the Opportunity Report*

“The Opportunity for Energy Efficiency that is Cheaper than Supply in Rhode Island, Phase II Report – August, 2010”, research and preparation by KEMA, Inc.