Jennifer Brooks Hutchinson
Senior Counsel

December 9, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4295 – The Narragansett Electric Company, d/b/a National Grid
2012 Energy Efficiency Program Plan
Responses to Commission Data Requests – Set 1

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's[1] responses to the Commission's First Set of Data Requests in the above-captioned proceeding.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7288.

Very truly yours,

Jennifer Brooks Hutchinson

cc: Jon Hagopian, Esq.
Steve Scialabba, Division

[1] The Narragansett Electric Company d/b/a National Grid ("Company").

Commission 1-1

Request:

Regarding the article referenced below, was receipt of the federal funds (particularly the $2.5 million earmarked to establish a Business Energy Efficiency Fund), taken into account when developing the 2012 EE Program Plan?

1a. If yes, how?
1b. If no, why not?

http://news.providencejournal.com/breaking-news/2011/08/ri-receive-65-million-to-boost.html

Response:

Yes, the Company took the $2.5 million of federal funding into account in the development of the 2012 EE Program Plan. This is referenced on Page 11 of the EEPP. "The Company is working in partnership with the Rhode Island Economic Development Corporation (EDC) to use funds under the EDC's control for zero interest loans to C&I customers, through the above mentioned Loan Fund. This is targeted to be in place by January 1, 2012." As noted, the Company had hoped to incorporate the $2.5 million into its offering of financing to customers. However, an agreement with EDC could not be reached under which EDC would provide a grant of funds to the Company so that the Company could, in turn, loan the money to customers. There was an added urgency to reach an agreement in that, once an agreement was in place, the funds would have had to be distributed and spent by March 31, 2012, per ARRA guidelines. Faced with this deadline and the lack of an agreement with EDC, OER, who is ultimately accountable for the spending of ARRA funds, indicated that the funds would be reallocated.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-2

Request:

Page 2 of the November 1 filing letter states in part, "…the Company and collaborative… worked together to find additional cost-efficiencies in order to deliver the same energy savings at a lower cost." Please explain fully the additional cost-efficiencies that were found.

Response:

The most significant cost-efficiency found between planning the Three Year Plan and the 2012 Annual Plan is a lower average cost for achieving Large Commercial and Industrial (C&I) savings. There are two reasons why the C&I cost per MWh savings is projected to decrease compared to the Three Year Plan. First, the introduction of Upstream Lighting (see EE Program Plan, Attachment 2, Page 6) will deliver savings at a lower-average cost. Second, Large C&I customers have been investing in lower-cost efficiency measures. The Company believes this is due to the economy and that the trend will continue in 2012. As a result, the Company plans to do more of the lower-cost efficiency projects and fewer of the more expensive projects. The Company also reviewed and made minor adjustments to its costs related to program administration and evaluation.

Prepared by or under the supervision of: Rachel Henschel

Commission 1-3

Request:

Table 1 (Page 2 of the Plan) indicates that National Grid expects to serve 358,712 (356,211 + 2,501) residential customers through the 2012 electric energy efficiency program. National Grid's 2010 FERC Form 1 states that the average number of residential customers for 2010 was 424,245. Is it correct that National Grid plans to have roughly 85% of its residential customer base participate in the 2012 EE Program? If yes, please explain specifically how the Company expects to achieve that level of involvement.

Response:

It is difficult to estimate the number of participants in the Residential Lighting program, which account for 320,000 of the planned participants, because the Company's influence is through vendors and retailers upstream of the customer. To determine participation, the Company tracks the number of compact fluorescent lamps (CFLs) that are expected to be delivered through the program and then divides by a number of CFLs per pack sold (2.5), as determined from evaluation. The Residential Lighting program accounts for 89% of the total planned 2012 residential participation. In addition, due to different delivery mechanisms, customers that participate in multiple programs are counted in each program. For example, a customer can participate in the EnergyWise audit and weatherization program, the Residential Lighting program, and the Refrigerator Recycling Program and would be counted three times. For these reasons, the Company cannot estimate what number of unique customers will participate in its programs in 2012.

Since the Company uses the same procedures for estimating actual participation during the year, the Company uses achievements relative to the participation targets as a benchmark of how well implementation is proceeding.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-4

Request:

In reference to Page 13 (Paragraph 2) of the Plan, please provide the statutory authority for seeking approval from EERMC for expenditures of more than 10% of the Company's total program budget.

Response:

In negotiating the 2011 EE Plan, the Parties agreed that setting a threshold by which the Company would not exceed the total program budget without seeking EERMC approval was an appropriate check and balance on the Company's spending as part of implementing a fully reconciling funding mechanism. The Parties agreed that 10% was a reasonable threshold. The Parties incorporated similar language on Page 13 (Paragraph 2) of the 2012 Plan, as was included in the 2011 EE Plan. This approach is consistent with the general oversight roles assigned to the EERMC regarding the implementation of plans and the power to generally monitor programs pursuant to R.I.G.L. § 42-140.1-5. Notwithstanding EERMC action, the statutory role of budget approval ultimately resides with the Commission, and the Company would continue to request approval of such expenditures from the Commission.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-5

Request:

Please provide the R.I. General Laws citation referenced on Page 15 of the Plan in the very last paragraph under Section 3.

Response:

Rhode Island General Laws §39-2-1.3(h)(ii) allows the Commission to exempt from the DSM charge "gas used for the manufacturing processes, where the customer has established a self-directed program to invest in and achieve best effective energy efficiency in accordance with a plan approved by the [C]ommission and subject to periodic review and approval by the [C]ommission . . ."

Prepared by or under the supervision of: Jeremy Newberger and the Legal Department

Commission 1-6

Request:

Referring to Page 15 of the Plan, in the event the Company does not receive anticipated RGGI funds, would the Company consider scaling back its funding instead of seeking fully reconciling funding?

Response:

In order to meet the savings targets approved in Docket 4202, if the Company does not receive anticipated RGGI funds, the Company believes it would need reconciling funding.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-7

Request:

Referring to page 20 of the Plan, what is the justification for the threshold performance level for energy savings by sector being set at 60%?

Response:

The threshold has been set at 60% for several years. It is a level agreed to by Collaborative subcommittee members that acknowledges that that threshold level of achievement toward an annual savings target is worthy of an incentive. It continues to be a challenge in light of increasing savings targets.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-8

Request:

Would new ARRA funds (as opposed to current ARRA funds) be considered "outside funding" for purposes of earning the 10% incentive?

Response:

Theoretically, new ARRA funds would be considered as "outside funding" if the Company actively worked toward the securing of those funds for its energy efficiency programs. This is consistent with the second and third bullets on page 21 of the Plan.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-9

Request:

Hypothetically speaking, in the event an outside agency were to offer some level of funding for energy efficiency purposes but prohibited the allocation of such funding toward the Company's incentive, would the Company still pursue this funding?

Response:

The Company is committed to working towards securing outside funding to reduce energy efficiency charges to its customers, and the 10% incentive for outside funding is proposed with that objective in mind. However, if an agency or organization made the condition that prohibited the use of their funds for the Company's incentive, the Company would agree to that condition. In that case, subject to further discussion among interested parties, the Company does not believe that it would be required to exclude the outside funding from the calculation of the spending budget eligible for the 4.4% incentive. This is consistent with the second bullet on Page 22 of the Plan.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-10

Request:

On Page 22 of the Plan, in the last line of Paragraph D, should 2012 be 2013?

Response:

Yes. Paragraph D should read "The Parties agree that the Subcommittee shall meet no less than six times in 2012 to review the status and performance of the Company's 2012 energy efficiency programs and advise on potential energy efficiency programs for 2013."

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-11

Request:

Referring to Residential New Construction, who conducts the training of builders, contractors, etc., where does it take place and how much does it cost?

Response:

The Residential New Construction program and training vendor is Conservation Services Group (CSG). CSG's Rhode Island-based staff provides training and outreach services. In 2011, the program offered three, half-day sessions on Advanced Framing, three, half-day training sessions on HVAC, six Home Builder Association (HBA)/Lumber Yard Presentations to explain the advantages of participation, and four Lunch and Learn sessions for architects and developers to explain what they need to include in specifications, drawings and contracts. These trainings are in addition to the less formal sessions that happen through outreach to the construction community approximately once per month.

For the half-day sessions, CSG staff selects and secure the venue, typically hotels. The HBA/Lumber Yard sessions are held at events at lumber yards or at HBA monthly meetings. The Lunch and Learn sessions are held at the offices of architects and developers. For 2011, the total cost of these trainings to date has been approximately $27,000.

Prepared by or under the supervision of: Rachel Henschel

Commission 1-12

Request:

On Page 20, what are the assumptions upon which the savings targets are based?

Response:

Generally speaking, the assumptions are gross savings per unit or savings per participant for each measure or program offering. These gross savings have been determined through engineering assessments, literature review, common regional assumptions, or building simulations. Depending on the measure, they are often informed by site- or project-specific parameters, such as hours of use, or efficiency rating of a selected air-conditioning unit.

Gross savings are modified by impact factors, most frequently obtained from evaluation studies, that reflect actual performance of installed devices relative to expectations, coincidence of savings with peak periods, and market effects such as free ridership and spillover, which indicate the influence that the Company's programs have had on customer actions (the Company only takes credit for what it can claim to influence). This all results in net savings per unit or participant.

Net savings are multiplied by the planned number of measures or participants within a program, and these are all aggregated to determine total net savings that comprise the savings target.

For electric commercial and industrial programs, the savings are developed at an end use level (e.g., lighting, HVAC, custom, etc…), rather than measure level. This is because the Company has a very large number of potential measures for C&I electric programs and it has proven to be a fruitless exercise to attempt to predict participation at the measure level for future plans given changes in the measure mix from year to year. For C&I programs, the savings per customer incentive cost for recent installations is multiplied by the projected incentive budget for that end use to determine the net savings forecast.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-13

Request:

On Page 18, how often are the Company's programs evaluated, and what is the average cost of an evaluation?

Response:

The timing of evaluation of the Company's programs is influenced by several factors. One factor is how much savings are expected from the program. Programs with large amounts of savings are evaluated more frequently than those with small amounts of savings because a change in savings estimates for these large programs will have a significant impact on projected portfolio-level savings. A second consideration is the vintage of the most recent evaluation study. If a study of the area was completed recently, a study of a different area may be made a higher priority. A third factor is the expected stability of the program. A program that is fairly stable – that is not new or has not experienced significant changes – may be left unstudied for several years in favor of performing studies in areas that are more dynamic, or studies of custom end uses, which by nature change from year to year. Based on all of these considerations, a prioritized list of studies is developed and included in the evaluation plan for the program year, which makes use of evaluation resources and budget. Rhode Island also has the ability to "piggyback" on some studies sponsored or co-sponsored by National Grid in Massachusetts, which ties into the development of an evaluation plan.

The evaluation plan included in the 2012 EEPP was developed with these considerations in mind.

The average cost of an evaluation study will vary with the nature of the evaluation, the number of sites to be evaluated, as well as the evaluation techniques to be used. The cost can range from $25,000 to several hundred thousand dollars.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-14

Request:

Is there a web link to the R.I. Technical Reference Manual (referred to on Page 18 of the Plan)?

Response:

The R.I. Technical Reference Manual will be posted at the following site by December 16, 2012: https://www.nationalgridus.com/EnergyEfficiencyReports.asp

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-15

Request:

Do the bill savings estimated on Page 6 of the Plan (under "Economic Growth") take into consideration implementation of Revenue Decoupling?

Response:

The electric bill savings estimated on Page 6 of the Plan are the sum of total winter and summer energy benefits from Attachment 5, Table E-6, while gas bill savings based are equal to the Natural Gas Benefits from Attachment 6, Table G-6, as noted in footnote 12, of the Plan. They do not take into consideration implementation of Revenue Decoupling.

Prepared by or under the supervision of: Rachel Henschel