



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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*Peter F. Kilmartin, Attorney General*

February 10, 2012

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

**IN RE: Narragansett Electric Co. d/b/a National Grid - 2012 System Reliability  
Procurement Plan  
DOCKET NO: 4296**

Dear Ms. Massaro,

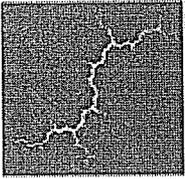
Enclosed for filing with the Commission are an original and Nine (9) copies of the Division of Public Utilities and Carriers (the "Division") Memorandum and Recommendation in the above entitled matter.

Thank you for your attention to this matter.

Very truly yours,

Jon G. Hagopian  
Special Assistant Attorney General

cc: Service List (e-mail only)



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## Memorandum

To: RI Division  
From: Tim Woolf  
Date: February 10, 2012

***Subject: Grid's SRP filing***

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Here is a summary of my reading of the SRP, with an emphasis on the information recently provided in response to our discovery.

### ***Peak Demand Forecasts***

In response to Division 2-6, the Company provides an update to their Power Supply Area Forecast, and it shows that the forecasted loads for the relevant area (Western NECO) are higher than in the previous forecast. This confirms the Company's argument about peak demand growing rapidly in that area.

A really brief review of the Power Supply Area Forecast did not indicate any reason not to believe the Company's argument about peak demand growing rapidly in the Western NECO area.

I have one remaining concern with regard to the load forecasts. The Company has not determined the extent to which the load growth is due to existing customers or new customers. (Division 2-8.) However, the SRP Pilot project is reaching only existing customers, through the EnergyWise and Small Business Programs. (Division 2-9.) If much of the load growth is from new construction, then they will be missing a lot of this potential for cutting peak demand. The Company does note that it is seeking information on new customers (Division 2-8), and that it will consider extending the Pilot to the New Construction Program in future years (Division 2-9).

### ***Consideration of Alternative Projects***

The Company confirms that it is only aware of two projects that meet the conditions set out in the System Reliability Procurement Standards (SRP Standards), Section 2.1(C); the Tiverton substation and the Wampanoag substation. The Company rejected the Wampanoag substation option because it assumed that there might not be sufficient non-wires alternatives available.

The relevant SRP Standards are presented below. Without further analysis of the Company's system, it is difficult to check on the Company's assertion that there are no other potential SRP projects that meet these conditions. (Are there any other filings or reports that the Company provides that would shed light on this question?)

- C. Identified transmission or distribution (T&D) projects with a proposed solution that meet the following criteria will be evaluated for potential NWA that could reduce avoid or defer the T & D wires solution over an identified time period.
- a. The need is not based on asset condition;
  - b. The wires solution, based on engineering judgment, will likely cost more than \$1 million;
  - c. If load reductions are necessary, then they are expected to be less than 20 percent of the relevant peak load in the area of the defined need;
  - d. Start of wires alternative is at least 36 months in the future;
  - e. At its discretion the utility may consider and, if appropriate, propose a project that does not pass one or more of these criteria if it has reason to believe that a viable NWA solution would be cost-effective.

**Cost Benefit Analysis**

One of the things that troubled me about the SRP Pilot is that the benefit cost ratio for the system reliability portion only is not great. The table below shows that the BCR for the SRP portion alone is only 0.7. The BCR for the total Pilot project is 1.8, because the Focused Energy Efficiency BCR is so high that it brings up the average for the total Pilot.

However, if the Company is successful in deferring the substation upgrades for more than the four years planned, then the economics improve. A deferral for eight years leads to a SRP-only BCR of 1.0 and a total Pilot BCR of 2.0. If the Pilot is successful in deferring the substation upgrades indefinitely, then the SRP-only BCR increases to 1.5 and the total Pilot BCR increase to 2.1.

	Four-Year Deferral	Eight-Year Deferral	Indefinite
Focused EE	2.5	2.5	2.5
SRP Only	0.7	1.0	1.5
Total Pilot	1.8	2.0	2.1

Sources: SRP page 18; Division 2-10 and Division 2-11.

In other words, there is a good chance that if the Company is successful in this Pilot then the SRP portion will be cost-effective, in addition to the Pilot as a whole. Also, I think that the numbers presented in the Company's discovery responses overstate the costs of continuing with the SRP Pilot past year four, by simply forecasting out the costs of the early years. One would expect that in the later years the costs would be a lot lower, with much less need for marketing, installation and administration.

**Recommendation**

I recommend that the Division support the SRP Pilot, but only under the condition that the Company coordinates its efforts closely with the Division and other stakeholders, through a collaborative process (maybe as a subcommittee of the DSM collaborative).

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Oversight by the stakeholders, especially the Division and the EERMC, will help ensure that the Pilot project is as effective as possible. For example, it will allow us to see what kind of data the Company gets with regard to new construction activity, and allow us to pressure them to expand the pilot to new construction if appropriate.

Here are my reasons for supporting the SRP.

- I have not seen any evidence to suggest that their load forecasts for the region are overstated.
- While it seems intuitive that there could be better locations in Rhode Island for such a pilot, I have not seen evidence that there is. In the future, we should require the Company to provide more information with regard to (a) potential T&D upgrades expected on their system in the next several years; and (b) their assessment of which of those upgrades might meet the conditions of Section 2.1(C) of the SRP Standards. I was hoping to see this in their "internal planning document" referred to in the SRP, but that document contains only generic guidelines. (Division 2-1.)
- The BCR for the total project is solid. If the Company can defer the Tiverton substation project for more than four years or indefinitely, which is the ultimate goal and does seem feasible, then the BCR for the SRP-only portion should be above one as well.
- This is a pilot program that should provide some useful data about potential future SRP opportunities.
- The Company is asking for only \$221,000 in funding for 2012. This is a pretty small portion of the total DSM budget, and is a reasonable expense for a pilot of this type.
- If the Division were to oppose this project with the hope of finding a better location, it would significantly delay the implementation of any pilot, and there is some uncertainty about whether a better location can be found.