

August 8, 2013

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

RE: Docket 4366 – 2013 Energy Efficiency Program Plan Budget Management

Dear Ms. Massaro:

This letter is to notify the Commission that National Grid¹ plans to exceed the Company's Energy Efficiency Program Plan for 2013 ("2013 Plan") total budget by 5.5 percent. Section IV.D(1) of the Budget Management provisions of the 2013 Plan provides:

The Company's expenditures and commitments for 2013 may exceed total budget by up to 10% so long as a written explanation is provided to the EERMC and the Commission for any deviation and the expenditures and commitments are reasonably consistent with the original 2013 plan.

In the 2013 Plan, National Grid projected a year-end 2012 fund balance for the Commercial and Industrial ("C&I") sector in the amount of \$5,693,800. That amount was one of the funding sources for the projected budget for 2013 that was used in the calculation of the 2013 EE charge (see 2013 Plan, Table E-1). These funds will be spent in 2013 as part of that budget. However, the 2012 Year End Fund Balance, filed on May 31, 2013 as part of the 2012 Year End Report, totaled \$11,777,795. The Fund Balance accounts for all revenues and expenses for energy efficiency in 2012 across all sectors. Of the total \$11,777,795 balance, \$10,063,979 was collected from C&I customers and intended to be spent on C&I activities. This results in a fund balance of \$4,370,179 more than what was projected for the C&I sector in the 2013 Plan. The higher than anticipated fund balance came from:

- Slightly higher sales during the year than planned;
- C&I sector underspending in 2012 of \$3.78 million in implementation and \$1.2 million in commitments; and
- Carryover of previous year's fund balances

¹ The Narragansett Electric Company d/b/a National Grid (herein referred to as the "Company" or "National Grid").

National Grid, with the support of the Settlement parties, plans to make this \$4.3 million dollars in carryover funds available to C&I customers to finance, through the on-bill repayment program, their respective share of project costs not otherwise covered by program incentives. The money will be moved into the C&I Revolving Loan Fund and characterized as having been spent in 2013. This will result in a 5.5 percent overspend of the total projected budget for 2013 for the C&I sector, as detailed in Table E-2 of the 2013 Plan.

The Company believes that making this \$4.3 million available to C&I customers is reasonably consistent with the original 2013 Plan. Specifically, creating finance opportunities through the existing Revolving Loan Fund is one of the ways in which the Company can make energy efficiency more affordable and attractive to C&I customers, as described in the “Affordability and Financing” section of the C&I Program and Initiatives description found in Attachment 2 of the 2013 Plan. The fund revolves because funds are continually lent to customers for new projects as they are repaid as part of electricity bill payments by other customers who used the funds to finance their completed projects. The current total of the Revolving Loan Fund is \$6.8 million. Of this total amount, \$2.6 million was lent in previous years to customers and is being repaid, while \$4.2 million has been committed to customers and will be paid out as projects are completed. The Company estimates that the additional \$4.3 million in finance funds will help more than 140 customers to save more than 11,000 annual MWh and more than 132,000 lifetime MWh. Currently, the Company is focused on meeting its 2013 financing commitments; these additional funds will enable the Company to make commitments to projects as they come through during the remainder of 2013 and into 2014. This, in turn, will help the Company meet its savings targets in 2013 and, because the funds will revolve, future years as well.

Creating additional finance opportunities benefit customers. In 2011, the Company analyzed customers’ interest in finance. The Company looked at C&I customers who had audits in the past two years who had either completed a few select recommended measures or had not gone through with any recommended measures. Forty-six percent of those customers indicated that they would have moved forward with the recommended energy efficiency measures if sufficient finance had been available at the time. Customers cited the upfront costs of energy efficiency as the largest barrier to moving forward. Therefore, creating additional finance opportunities is reasonable because customers have wanted finance and often cannot proceed with energy efficiency measures without it. Several members of the Collaborative have also expressed ongoing interest in increasing the amount of available financing.

Furthermore, making these funds available for C&I finance in 2013 is consistent with the Parties’ intent that the Company “make every attempt to spend or commit all the funds available for energy efficiency during the program year, including any increases in the fund balance due to increased sales or other factors.”² While the Company attempts to accurately predict carryover,

²2013 Plan, Section IV.B, page 18.

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there will generally be some deviation each year between projected carryover in the 2013 Plan and actual carryover reported in the Year End Report. If this were a smaller amount of unplanned carryover, or its source more evenly distributed across sectors, the Company's motivation for spending it in 2013 would be less strong. However, given the size of this unanticipated carryover from 2012 and the significant contribution from the C&I sector (as well as the demand for more financing), the Company believes that it is reasonable to put those funds to use for C&I customers in 2013. If the funds are not made available for C&I financing during the current program year, the funds will be included as part of the reconciliation in the 2014 Plan and disbursed among all customer segments. Thus, C&I customers would not directly benefit from this large amount of carryover funds that were intended to be spent on C&I programs. By putting these carryover funds to immediate use for financing, C&I customers will more directly realize those benefits.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer Brooks Hutchinson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jennifer Brooks Hutchinson

Cc: S. Paul Ryan, Chairman, EERMC
Steve Scialabba, Division
Leo Wold, Esq.

August 8, 2013

VIA ELECTRONIC MAIL

S. Paul Ryan, Chairman
Rhode Island Energy Efficiency Resource Management Council
201 Washington Road
Barrington, RI 02806

RE: Docket 4366 – 2013 Energy Efficiency Program Plan Budget Management

Dear Mr. Ryan:

This letter is to notify the Energy Efficiency Resources Management Council (“EERMC”) that National Grid¹ plans to exceed the Company’s Energy Efficiency Program Plan for 2013 (“2013 Plan”) total budget by 5.5 percent. Section IV.D(1) of the Budget Management provisions of the 2013 Plan provides:

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In the 2013 Plan, National Grid projected a year-end 2012 fund balance for the Commercial and Industrial (“C&I”) sector in the amount of \$5,693,800. That amount was one of the funding sources for the projected budget for 2013 that was used in the calculation of the 2013 EE charge (see 2013 Plan, Table E-1). These funds will be spent in 2013 as part of that budget. However, the 2012 Year End Fund Balance, filed on May 31, 2013 as part of the 2012 Year End Report, totaled \$11,777,795. The Fund Balance accounts for all revenues and expenses for energy efficiency in 2012 across all sectors. Of the total \$11,777,795 balance, \$10,063,979 was collected from C&I customers and intended to be spent on C&I activities. This results in a fund balance of \$4,370,179 more than what was projected for the C&I sector in the 2013 Plan. The higher than anticipated fund balance came from:

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

Sincerely,



Jennifer Brooks Hutchinson

Cc: Rhode Island Public Utilities Commission
Steve Scialabba, Division
Leo Wold, Esq.

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission.

Joanne M. Scanlon
National Grid

August 9, 2013
Date

**Docket No. 4366 - National Grid - 2013 Energy Efficiency Program Plan
Service list updated 11/1/12**

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