**Jennifer Brooks Hutchinson**
Senior Counsel

June 5, 2013

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4397 - Review of Energy Efficiency and Advanced Gas Technology Incentives For 12.5 MW Combined Heat and Power System**
**Responses to Commission Data Requests – Set 3**

Dear Ms. Massaro:

On behalf of National Grid[1] attached are the Company's responses to the Commission's Third Set of Data Requests issued in the above-captioned proceeding.

Please be advised that the Company's response to Commission 3-8 and Commission 3-9 will be forthcoming shortly.

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

Very truly yours,

Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4397 Service List
Leo Wold, Esq.
Steve Scialabba, Division

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

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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. Paper copies of this filing were hand delivered to the Rhode Island Public Utilities Commission.

June 5, 2013

Joanne M. Scanlon Date

**Docket No. 4397 - National Grid - Energy Efficiency and Advanced Gas Technology Incentives for 12.5 MW CHP System Package to Toray**
**Service list updated 3/11/13**

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Commission 3-1

Request:

Referring to Attachment Division 1-3, please define CIMDC Factor.

Response:

CIMDC means Commercial and Industrial Marginal Distribution Cost Factor benefits. It is the net present value of lifetime distribution capacity benefits for the project being screened. In Attachment DIV 1-3, the CIMDC is calculated using the statewide marginal distribution costs. In the benefit cost analysis for the Toray project, the site specific marginal distribution benefits are substituted for the CIMDC benefit calculation.

Prepared by or under the supervision of: Jeremy Newberger

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Commission 3-2

Request:

Referring to Attachment Division 1-3 (Screening Tool 1 Tab, cell I59) and response to Commission 2-4, please explain the basis for $35,044,143 in economic development benefits.

Response:

The basis for the $35,044,143 in economic development benefits was $2.79 of economic development benefits per dollar of investment. The value of $2.79 was reviewed and approved by the Collaborative during the development of the 2013 Energy Efficiency Program Plan and based on the 2009 Environment Northeast Study, "Energy Efficiency in Rhode Island: Engine of Economic Growth," and subsequently approved by the Commission in Docket 4366.

Using this factor, the formula for calculation of economic development benefits was as follows:

$2.79/$ of investment x 11,165 summer kW demand reduction (cell D27) x $1,125/kW incentive.

Please note that the screening workbook adapted for use for the Toray project (Attachment DIV 1-3) only allows input of demand reduction values, not net nameplate kW. Because of this limitation, the Company used the 11,165 kW in the calculation of economic development value, instead of the 12,000 net kW expected for the project, and on which the proposed installation incentive of (12,000 kW x $1125/kW) = $13,500,000 was based. This results in an economic development value of approximately $2.6 million lower than what it would have been had the Company used the net nameplate kW.

Prepared by or under the supervision of: Jeremy Newberger

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Commission 3-3

Request:

To the best of your knowledge, assuming the project is approved and developed in accordance with the terms of the Offer Letter, and commercial operation is achieved by June of 2014, will the Toray project be eligible for the 10% federal investment tax credit?

Response:

The Company does not know whether or not the Toray project will be eligible to receive the 10% federal investment tax credit. However, the Company has inquired with the customer regarding eligibility, and the customer has indicated that they do not believe that the project will be eligible for the tax credit.

Prepared by or under the supervision of: Mark DiPetrillo

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Commission 3-4

Request:

To the best of your knowledge, what is the estimated dollar amount of the federal investment tax credit associated with the Toray CHP project?

Response:

Please see the Company's response to Commission 3-3.

Prepared by or under the supervision of: Mark DiPetrillo

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Commission 3-5

Request:

Referring to the response to DIV 1-3, please explain how the savings of 87,473,000 kWh was derived (Inputs Tab, Cell E26).

Response:

The savings value is derived from the Technical Assistance (TA) study for the Toray project, which was previously provided as Attachment COMM-1-7. Please see page 2 of Attachment COMM 1-7.

The TA Study used an engineering analysis to determine the expected performance of the proposed Toray CHP project for each hour of the year and the savings relative to the baseline conditions. Section 6 of the TA study describes this modeling in detail.

Prepared by or under the supervision of: Mark DiPetrillo

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Commission 3-6

Request:

Referring to the response to DIV 1-3, what is the rationale for excluding the CIMDC Factor Capacity benefits from the calculations on the Screening Tool 1 Tab (Cell D33)?

Response:

The CIMDC Factor Capacity benefits in Cell D33 of Screening Tool 1 Tab are based on the use of the average statewide distribution capacity value. As specified in the 2013 Energy Efficiency Program Plan (Attachment 2, page 35 of the Plan), for CHP projects greater than 1 MW, location specific distribution benefits are to be used in place of average system-wide distribution benefits. Therefore, the CIMDC benefits were excluded from the benefit cost calculation for the Toray project, and the site specific benefits of $0 were included in its place.

Prepared by or under the supervision of: Jeremy Newberger

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Commission 3-7

Request:

Referring to the response to DIV 1-3, please explain the derivation of "Other NEB Factor Value" of ($29,702,188). (Screening Tool Tab, Cell D47)

Response:

The "Other NEB Factor Value" is the lifetime value of Non-Energy Benefits (NEB) associated with the Toray project.

For the Toray project, the TA Study identified an incremental operations and maintenance cost of $1,245,171 per year to operate the proposed CHP facility, which were above the baseline maintenance costs (see page 2 of Attachment COMM-1-7). To be conservative, the Company engineer added 20%, or approximately $250,000 per year of maintenance costs, totaling $1,494,205. These annual costs would be incurred in each year of the project life. That stream of costs is discounted to a present value to determine the lifetime NEB (which is a cost, rather than a benefit) of negative $29,702,188.

Prepared by or under the supervision of: Jeremy Newberger