



FROM: William H. Ferguson, Executive Director, TEC-RI

**TO: The Rhode Island Public Utilities Commission and
The Division of Public Utilities and Carriers**

DATE: May 28, 2013

**RE: docket # 4397
National Grid Review of Energy Efficiency and
Advanced Gas Technology Incentives For
12.5 MW Combined Heat and Power (CHP) System**

I am writing in support of approval of all the incentives included in the petition filed by National Grid for the Toray CHP project. This includes the AGT incentive of \$590,000.00 which is subject to review by TEC-RI under the Integrated Resource Planning Compliance Settlement approved by the Commission in Docket No. 2025.

The incentives are described in detail in National Grid's petition which was submitted to the Commission on March 5, 2013 by their attorney, Jennifer Brooks Hutchinson. The recommended incentives are as follows:

- (i) \$13,500,000 installation incentive from energy efficiency funds;
- (ii) \$1,800,000 rebate payment from AGT funds; and
- (iii) \$590,000 as a performance-based incentive from energy efficiency funds to be paid out after the project is operational.

I have studied the petition and have been following the docket through the discovery process including the filing by the Division on May 17, 2013. TEC-RI has concluded that the National Grid offer to Toray Plastics America, Inc. accomplishes the objectives of a new state law (an amendment to RIGL 39-1-27.7) and complies with the requirements of the Energy Efficiency Plan (EE Plan). We therefore support the approval of the incentive package in its entirety. We also support the recommendation of the Division to allocate the funding of the energy efficiency installation incentive to two budget years (\$7 million in 2013 and \$6.5 million in 2014).

Incentives for CHP are not new. There have been incentives included in the EE Plan for several years. The levels of the incentive were increased in the 2013 EE Plan in order to comply with the new emphasis on CHP required by the State's new CHP law. Due to the increase in incentive levels, the 2013 EE Plan requires additional safeguards to protect these investments of ratepayer dollars through the use of a Minimum Requirements Document (MRD). Among other things, the MRD requires a maintenance

contract to make sure that the equipment stays in proper operating order, specific design criteria and system performance criteria. TEC-RI suggested some of these safeguards and supports all of them.

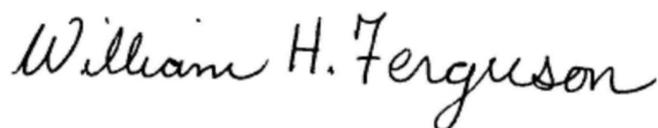
As stated previously, the incentives offered to Toray for its CHP project are the product of new incentive levels included in the 2013 EE Plan developed to comply with a new State law (RIGL 39-1-27.7). These incentives and program criteria were developed openly over a period of several months at meetings of the EERMC and the DSM Collaborative. Members of the EERMC also formed a sub-committee to address the new CHP requirements. EERMC members attended meetings of the Collaborative to discuss and debate the pros and cons of various program parameters and incentive levels. The CHP program was on the agenda at two EERMC meetings. At the meeting on November 8, 2012 the EERMC voted to endorse the CHP incentives. The process that was undertaken by the EERMC is described in the EERMC's "cost-effectiveness memo" (pages 1 and 2) associated with docket 4366. TEC-RI and other parties are signatory to the settlement agreement for the 2013 EE Plan which includes the revised CHP plan and incentive levels offered to Toray Plastics.

TEC-RI is aware that these incentive levels are higher than ever awarded for any one project. In this respect, I offer two observations. First, if many smaller projects were added together, they would not have as good a result as this one in terms of kWh reductions per incentive dollar spent. Putting this in the context of the 2013 EE Plan, this project equals 59% of the kWh goal at a cost of 18% of the total program budget. Second, the budget for electric energy efficiency programs is increasing for 2013 by \$16 million (26%) compared to 2012. The program was unable to spend all of its funding in 2012 at the lower funding levels. In view of this, it is doubtful that this project will be absorbing funds needed for other projects, especially if \$7 million of the total \$13 million incentive is paid out of the 2013 budget, which is about 10% of the total budget. The Toray project will provide a substantial contribution to the attainment of the program's 2014 goals.

Finally, it is interesting to note that this project, at 12.5 MW, is the same size as the Block Island wind project which is the beneficiary of a \$431 million incentive in the form of rate payer subsidies over the 20 year term of the PPA.

This concludes my comments on this subject. If you have any questions please do not hesitate to contact me. I am always ready to work with the Division and Commission and appreciate the cooperation and professionalism of both relative to energy concerns and issues that are important to TEC-RI and all rate payers.

Sincerely,

A handwritten signature in black ink that reads "William H. Ferguson". The signature is written in a cursive, flowing style.

Executive Director, TEC-RI