nationalgrid

Jennifer Brooks Hutchinson
Senior Counsel

December 4, 2013

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4451 – The Narragansett Electric Company, d/b/a National Grid
2014 Energy Efficiency Program Plan
<u>Responses to Commission Data Requests – Set 3</u>

Dear Ms. Massaro:

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

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

Very truly yours,

Jennifer Brooks Hutchinson

cc: Docket 4451 Service List
Karen Lyons, Esq.
Jon Hagopian, Esq.
Steve Scialabba, Division

[1] The Narragansett Electric Company d/b/a National Grid (referred to herein 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. Copies of this filing were hand delivered to the RI Public Utilities Commission and the RI Division of Public Utilities and Carriers.

Joanne M. Scanlon

December 4, 2013
Date

Docket No. 4451 - National Grid - 2014 Energy Efficiency Program Plan
Service list updated 11/5/13

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Commission 3-1

Request:

Attachment 2, p.49. Please provide copies of the RFPs issued in the Small Business Direct Install program.

Response:

Please see Attachment COMM 3-1 being provided on CD-ROM.

Commission 3-2

Request:

Attachment 3, p.1. The impact evaluation studies for refrigeration, motor and other end uses are listed as "underway" in both the 2013 and the 2014 Plan.

a) What is the purpose of these studies?
b) Why haven't they been completed yet?
c) Identify the Massachusetts program administrators performing these studies.

Response:

a) This is a single study covering custom Commercial and Industrial electric efficiency projects classified by the end-uses of Refrigeration, Motors and Other. Custom projects are categorized by end-use groups to facilitate sampling and evaluation. As seen in Attachment 3, other custom studies have covered industrial process and compressed air, HVAC, lighting, comprehensive design, and gas. The purpose of the study is to evaluate prior custom project installations and assess actual measure performance relative to estimates. Following the study completion, the result, known as a realization rate, will be used in program planning and cost-effectiveness determination for the applicable program year. In addition, any lessons learned about the reasons of the deviation of evaluated savings from estimates, will be shared with implementation staff to improve the accuracy of future similar project savings estimates.

b) This study is being performed in coordination with a similar study in Massachusetts. In this case, the priority of other studies being conducted by the evaluation contractor and staffing resource limitations delayed the start of the study. This delay caused the study to not be completed in time for inclusion in 2014 program planning.

c) Evaluations in Massachusetts jointly sponsor and coordinate energy efficiency evaluation studies. The Massachusetts study on Custom Refrigeration, Motor, and Other was performed by National Grid, Northeast Utilities, Unitil, and the Cape Light Compact.

Commission 3-3

Request:

Provide a red-lined version of the 2014 EEPP Plan showing the changes made to the 2013 EEPP.

Response:

Please see Attachment COMM 3-3 being provided on CD-ROM.

Commission 3-4

Request:

Attachment 2, p. 16-17. "Prescriptive incentives for these systems and equipment have been standardized in terms of incentive level and minimum efficiency criteria." Please explain how these incentives have been standardized, including the criteria used to determine eligibility of incentive.

Response:

Prescriptive pathway is a simplified path for customers that encourages incorporation of pre-approved technologies and provides incentives based on a fixed incentive per measure. Energy savings per measure are predetermined by the programs through a series of engineering analysis. This helps streamline and expedite the incentive and savings process for customers. The process for determining energy savings and incentives for prescriptive measures is as follows:
The Rhode Island Technical Reference Manual (TRM) document, which the Company provided on CD-ROM as Attachment COMM 1-16, provides the methodologies and assumptions used by the Company to estimate energy savings. Each measure is listed with its own algorithms of estimations for annual energy and peak demand impacts. Typically, the prescriptive measures/technologies are set at an efficiency level beyond what is required by the prevailing energy code or building industry trends.

Once the savings are estimated for a particular measure or technology, the Company uses market surveys and cost estimation studies or other data from field implementation staff to identify the cost of these technologies. For example, the Company, along with other New England Program Administrators references the Northeast Energy Efficiency Partnership's (NEEP) incremental cost study. This study develops incremental costs for common prescriptive measures across New England and the Mid-Atlantic regions. This data allows the Company to assess incentive levels for measures. The Company then incorporates the cost data into its cost-effectiveness tool to ensure that measures and programs meet the cost-effectiveness requirements to be eligible for energy efficiency incentives.

The above-described method for determining incentives for prescriptive measures is standard to the Company's energy efficiency programs and is not new for 2014.

Prepared by or under the supervision of: Puja Vohra

Commission 3-5

Request:

Attachment 2, p.28 (Paragraph 3). Please cite the specific legislation (and status) relating to optional/voluntary third party inspection of the building energy code.

Response:

The document referenced on p.28 (paragraph 3) of Attachment 2 is the Rhode Island State Building Code Regulation SBC-11 Certification and Continuing Education, dated January 1, 2012. The Company erroneously referred to this as "legislation" in Attachment 2 of its 2014 EEPP. The January 1, 2012 version of this regulation is provided in the link below. http://sos.ri.gov/documents/archives/regdocs/released/pdf/BCSC/6418.pdf.

In 2012, the Company, along with Northeast Energy Efficiency Partnerships (NEEP) provided recommendations to the Code Commissioner to adopt a provision for a possible third party energy specialist.

The Company has not received any updates from the Code Commission on the status of updating this regulation to include a provision to allow optional/voluntary third party inspection.

Commission 3-6

Request:

Attachment 2, p.12. Cite the reference from the 2013 Plan which discusses the Trade Ally Engagement (TRAEN) pilot.

Response:

The Trade Ally Engagement (TRAEN) project was initiated as a way to increase energy efficiency engagement from this sector. Although the Company states in Attachment 2 that TRAEN was formed in 2013, this concept was developed after the 2013 Energy Efficiency Plan had been filed. As noted in Attachment 2, the lessons from the Massachusetts pilot will be applied in Rhode Island. The pilot is expected to be completed in June 2014.

Prepared by or under the supervision of: Puja Vohra

Commission 3-7

Request:

Attachment 2, p.9 (Manufacturing/Industrial Initiative). The Company reported in the 2013 Plan that 6 customers had participated in the manufacturing/industrial initiative (Attachment 2, pgs.8-9 of 2013 Plan) which allowed customers up to 2 years to install identified measures. The Company also reported in 2013 that this program was capped at 10 participants and that it would develop MOUs with customers to establish a commitment for the two levels of studies. Please provide

a) Whether the 6 customers from 2013 are currently participating in the program
b) Copies of MOUs signed in 2013
c) Whether the 10-participant cap will continue in 2014

Response:

a) Of the six customers that National Grid approached to promote the Manufacturing Initiative last year, three participated in Level 1 and one participated in Level 2. None of the six customers from the 2013 Plan are currently participating in the Manufacturing Initiative.

b) Please see Attachment COMM 3-7 for a copy of the MOU with the one customer from the 2013 Plan who continued to Level 2. The Company requires an MOU for Level 2 participation only.

c) Yes, the 10-participant cap will continue in 2014.

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Manufacturing Initiative Level 2 Study

Memorandum of Understanding between The Narragansett Electric Company d/b/a National Grid "National Grid" and Kenyon Industries

National Grid and Kenyon Industries are entering into a non-binding **Memorandum of Understanding** MOU that sets forth the understandings of the parties and clearly identifies the roles and responsibilities of each party as they relate to detailed technical analysis of energy efficiency measures and systems at Kenyon Industries existing facilities 36 Sherman Avenue, Kenyon, RI 02836.

BACKGROUND: National Grid's Manufacturing Initiative focuses on enhanced technical assistance for large customers consuming an average demand of 750kW/year and has a qualified industrial SIC code. Through 2 levels of technical studies, this Initiative will create an opportunity to go deeper into their processes and operations and make it possible to address the technical, financial and operational barriers customers face in trying to go deeper and broader into their energy reduction footprint to significantly reduce costs and to help them remain competitive in their business environments.

PURPOSE AND SCOPE: Kenyon Industries has completed the first level of the Manufacturing Initiative in which a scoping study was performed by ADI Energy, Eric Pare and John Rizzo and presented to Kenyon Industries. As a result of this scoping study, specific opportunities were identified for further study, which are summarized in Attachment A of this document.

Through the MOU, both parties will agree to an advanced technical study (Level 2 study) performed on measures and systems which appear promising in the Level 1 scoping study. Kenyon Industries agrees to implement all or a majority of the energy efficiency measures and integrated systems recommended in the Level 2 study within 1 year of completion of the study. The recommendations will be based on the customer's and National Grid's cost effectiveness criteria (benefit cost analysis criteria), along with estimation of utility incentives if applicable.

National Grid agrees to pay 100% of the cost of the Level 2 Study. In the event that Kenyon Industries does not implement a majority of the measures recommended as part of the TA study recommendations within 1 year of completion of the study, Kenyon Industries will reimburse the Company 50% of the costs of the Level 2 study.

EFFECTIVE DATE AND SIGNATURE: This agreement shall be effective upon the signature of Kenyon Industries and National Grid's authorized officials. It shall be in force for a period of 1 year upon completion of the Level 2 Study. Kenyon Industries and National Grid indicate agreement with this document by their signatures.

Kenyon Industries

Thomas R. Gilbert
Signature

Thomas R. Gilbert
Name

V.P. Operations
Title

3/23/12
Date

National Grid

Signature

GERALD MIRABILE
Name

SALES & PROGRAM OPS
Title

3/23/12
Date

List of Scoping Study Opportunities

Measures	Study Cost	CoPay
Compressed Air Upgrades	$ 2,528	$ 1,264
Compressed Air O&M Leak Survey*		
Process equipment VFD Projects	$ 4,108	$ 2,054
Lighting Upgrades in Manufacturing Areas**		
	$ 6,636	$ 3,318

*** Vendor to be determined**
****Lighting upgrades per Project Expediter proposal**

ATTACHMENT A: LEVEL 1 Scoping Study

ATTACHMENT B: LEVEL 2 Technical Assistance Study

Commission 3-8

Request:

Attachment 2, p.14. Explain in detail how the Revolving Loan Fund operates. Include the following:

a) whether the Company or a third party administers the Revolving Loan Fund
b) the amounts budgeted for the revolving loan fund in 2012, 2013 and 2014
c) the number of customers who participated in the Revolving Loan Fund in 2012 and 2013
d) whether the Company considers this program a success, considering actual versus anticipated levels of participants

Response:

When discussing energy efficiency projects with customers, if the customer indicates that paying their portion of the project cost may pose a barrier to project implementation, sales or implementation personnel will offer zero-interest financing from available revolving loan funds to customers in an amount equal to their share of an energy efficiency project. The customer agrees to repay the financed amount on their bill in a simple portion of the energy efficiency project application, if so indicated. Once the project is completed and the funds are disbursed for payment to contractors installing the measures, the customer is invoiced for the financing on his/her utility bill, as part of the total charges owed. This is known as On-Bill Repayment (OBR) and continues until the customer repays the amount over the term of the loan. Depending on the timing of the installation of the energy efficiency project, the monthly finance amount will appear on the customer's bill either in the first or second month following project completion and remain there until repayment is complete.

a) The Company administers the Revolving Loan Fund. There are two revolving loan funds, which the Company administers: the Small Business Revolving Loan Fund and the Large C&I Revolving Loan Fund.

b) The amount budgeted to be available for lending to Large C&I customers is listed below. These amounts represent the cumulative funds available in the loan fund and include both the injection of new funds as well as funds available from the repayment of prior loans. At any time during the year, the funds available will vary. The 2012 budget was estimated at the beginning of 2012. The 2013 budget is an estimate as of August 2013. The 2014 electric budget estimate is included in Attachment 4 Revised, Table E-10 as line (13) and will be revised in the beginning of 2014 based on actual 2013 loan creation dates and repayment schedules.

1. 2012
   i. Electric - $2,679,678
   ii. Gas - $0

2. 2013
   i. Electric - $7,639,839
   ii. Gas - $300,000

3. 2014
   i. Electric - $6,858,467
   ii. Gas - $500,000

The amount budgeted to be available for lending to Small Business customers for electric efficiency projects is listed below. These are all beginning of the year amounts. The 2014 budget is included in Attachment 4 Revised, Table E-10 as line (12):

1. 2012 - $2,287,021

2. 2013 - $2,608,750

3. 2014 - $3,241,378

c) In the Large C&I Revolving Loan Fund, there were 84 separate loans to 35 customers in 2012. Through November 14, 2013, 130 separate loans to 53 customers have either been lent or are committed to the customer once the project is completed.

   For the Small Business Revolving Loan fund, there were 587 loans to 447 unique customers in 2012. In 2013, through November 14, there have been 529 loans made to 402 unique customers. Many more customers are anticipated to participate by year-end 2013.

d) The Company has not established participation benchmarks for the revolving loan fund. Nevertheless, the Company has found both the Small Business and Large C&I Revolving Loan funds to be essential for customers to participate in energy efficiency and to meet energy efficiency savings targets. The Company considers both revolving loan funds to be a success.

   First, customers who could not otherwise participate in energy efficiency because of the upfront costs to their business are able to participate by financing their portion of the project's expenses and repaying it through OBR. For many customers, paying their portion of a project's cost with their energy bills over several months allows them to pay using their company's operating budget, rather than its capital budget.

Second, the Company projects that in 2013 approximately 30% of the LC&I Retrofit program's savings goal and more than 50% of the Small Business Direct Install program's savings goals will come from customer projects that included financing from the revolving loan fund with OBR. The Company believes that the anticipated savings due in part to financing is a strong indicator of the need for loans and OBR to be part of successfully meeting savings targets.

Commission 3-9

Request:

Attachment 2, p.14. Explain in detail how on-bill repayment (OBR) operates. Include the following:

a) whether the Company or a third party administers OBR
b) amounts budgeted for OBR in 2012, 2013 and 2014
c) the number of customers who participated in OBR in 2012 and 2013
d) whether the Company considers OBR a success, considering actual versus anticipated levels of participants. (The Company reported in both 2013 and 2014 that an OBR survey revealed that 45% of C&I customers that didn't move forward with projects after receiving an audit would have if OBR financing were available.)
e) why the Company is expanding on-bill repayment (OBR) from 2 to 5 years for electric EE projects and not for gas EE.

Response:

a) OBR is a term used in conjunction with the Revolving Loan Fund. Please see the Company's response to Commission 3-8.

b) Please see the Company's response to Commission 3-8.

c) Please see the Company's response to Commission 3-8.

d) Please see the Company's response to Commission 3-8.

e) The Company is expanding OBR from 2 to 5 years, for appropriate Large Commercial & Industrial (LC&I) projects, in order to allow customers to pursue more comprehensive projects that they would otherwise not be able to pursue. The gas LC&I Revolving Loan Fund is not large enough to support broad customer participation over time and 5 year repayment terms for comprehensive projects. That is because 5 year repayment terms decrease the repayments from loans in future years, thereby decreasing the total amount available for loans, which, in turn, would limit the number of customers who could receive loans in future years.

Prepared by or under the supervision of: Jeremy Newberger

Commission 3-9, page 2

The electric Small Business Revolving Loan fund will continue with a 2 year term for OBR. The Small Business Revolving Loan fund does not include funding for gas projects.

Prepared by or under the supervision of: Jeremy Newberger

Commission 3-10

Request:

To what extent is cross-subsidization occurring among the electric customer classes from the application of a uniform electric EEP charge for all customers, regardless of the level of EE participation in these classes? How does the Company justify a uniform electric EEP charge? Does the Company foresee any need for a variable electric EEP tied to EE participation, similar to the two-tiered gas EEP proposed for 2014?

Response:

Referring to the Company's Supplemental Filing dated November 22, 2013, Attachment 4-Revised, there is limited cross-subsidization occurring among the electric customer classes.

Keeping with historical practices, Residential subsidizes 40% of the Income Eligible funding gap and Commercial and Industrial (C&I) subsidizes the remaining 60%. For 2014, after the allocation of the subsidy of the Income Eligible customer class, the Residential customer class also subsidizes 5% of the C&I funding gap.

Due to this limited amount of cross-subsidization, the Company, in consultation with the Collaborative Subcommittee of the Energy Efficiency and Resource Management Council ("Collaborative"), determined that a uniform electric EEP charge remains equitable and justified for the 2014 EEPP.

Currently, the Company does not foresee a need to implement multiple electric EEP charges similar to the two sector-specific gas EEP charges due to the fact that cross-subsidization levels are not significant. Over the past three years, the Residential and C&I sectors have both benefited from subsidies, which remained below 10%, and in 2013 there was no cross-subsidization beyond the contributions to the Income Eligible sector.

While cross-subsidization has not been significant, the Company will continue to review future Energy Efficiency Program Plans for any changes. If levels change in future years, the Company will reassess the need for a variable electric EEP charge.

Prepared by or under the supervision of: Jeremy Newberger

Commission 3-11

Request:

Attachment 2, p. 15 and 21-22. Explain in detail what is meant by incentive negotiations, including the specific nature of the incentive, the basis/criteria for eligibility and whether it applies to all C&I efficiency programs.

Response:

The incentive negotiations in this context can be defined as the ability of the Company to negotiate incentives for custom retrofit projects with the customer (prescriptive projects will not be affected). The Company's practice to date has been to follow certain rules of thumb for setting custom incentives, e.g., a percentage of the project cost. This approach has not taken into consideration how the customer values a given project with criteria such as internal rate of return or net present value, as well as non-energy benefits that may prove to be of greater importance to the customer's business or operation.

This initiative plans to develop an internal tool that will be provided to our sales team to negotiate incentives that account for the customer's financial criteria and consideration of other customer values. This tool would be used for large C&I customers (typically with peak usage greater than 200 kW) where the opportunity to leverage incentive negotiations would be greatest. This approach may assist the Company to cost-efficiently increase savings in a way that also meets the customer's financial criteria.

The specific nature of the incentive will depend on many factors and is unknown at this time. Within the internal tool, each sales representative will be given personal discretion to increase or decrease incentives by a certain percentage above (or below) a "base" incentive. This base incentive will be predetermined based on the specifics of each project, the type of customer and the Company's budget, and may vary depending on each energy efficiency measure. Once the sales representative has understood the financial criteria of the customer (whether simple payback or net present value or others), he/she may adjust the incentives for the customer (within the range of the maximum and minimum cap determined by the internal tool). The Company is currently working on determining the parameters of this tool, and will test it out in the field in the first two quarters of 2014.

Prepared by or under the supervision of: Puja Vohra

Commission 3-12

Request:

As of the date of issuance of this discovery request, the EERMC has not filed its cost effectiveness review with the Commission. On what basis did the Company claim on November 1 that EERMC had reviewed and approved the 2014 Plan?

Response:

Rhode Island General Laws §39-1-27.7 (c) (5) requires that the EERMC review and approve the Company's energy efficiency procurement plan, and related annual plans, as a condition of Commission approval. In satisfaction of this statutory requirement, the Company presented the 2014 EEPP to the EERMC at its meeting on October 17, 2013. At that meeting, the EERMC voted to approve the 2014 Plan. The minutes of that meeting state as follows:

> [A motion was made to] provisionally approve the 2014 EEPP, pending final completion of the plan, and to instruct the consultant team to draft a document which analyzes the cost-effectiveness of the plan as required by law. The motion was seconded …. The motion carried[1].

That vote, coupled with the signature of the EERMC's Chairman, S. Paul Ryan, to the November 1, 2013 Settlement of the Parties forms the basis for the Company's statement in its November 1 filing letter that the EERMC had reviewed and approved the 2014 EEPP. This vote is separate from the determination of cost-effectiveness.

Section 39-1-27.7 (c) (5) also requires a finding that the Plan is cost-effective and lower cost than the acquisition of additional supply as a condition to Commission approval; however, the cost-effectiveness determination is not necessarily a prerequisite to the EERMC vote. As part of the stakeholder process, the Company shared sufficient information with the EERMC consultant team prior to the EERMC vote, in the form of the benefit-cost model and the Technical Reference Manual, such that the EERMC was comfortable approving the Plan at its October 17, 2013 meeting. Additionally, the consultant team filed, on behalf of the EERMC, their Cost Effectiveness Memorandum regarding the Company's 2014 EEPP (as supplemented) with the Commission on November 27, 2013.

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[1] See http://www.rieermc.ri.gov/documents/minutes/2013/10_October%2017,%202013.pdf, page 5