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October 8, 2014

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PUBLIC UTILITIES COMMISSION

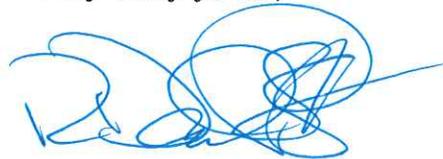
Luly E. Massaro, Commission Clerk
Rhode Island Public Utility Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Narragansett Electric Company d/b/a National Grid's 2015-2017
Energy Efficiency and System Reliability Procurement Plan;
Docket No.: 4522

Dear Luly:

I enclose the original and nine copies of the EERMC's response to the Commission's first data request.

Very truly yours,



R. Daniel Prentiss
EERMC Counsel

RDP/ka
Enclosures
Cc: Docket 4522 Service List
874/92/11052

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC
COMPANY d/b/a NATIONAL GRID'S
2015-2017 ENERGY EFFICIENCY and
SYSTEM RELIABILITY PROCUREMENT
PLAN

DOCKET NO. 4522

COMMISSION'S FIRST SET OF DATA REQUESTS
DIRECTED TO EERMC
(September 25, 2014)

COMM 1. The VEIC Report on page 15 states that the consultant's review was performed via meetings with National Grid staff. Is the consultant referring here to collaborative meetings or to other meetings outside of the collaborative? If you are not referring to collaborative meetings, please provide the dates of the meetings, approximate length of the meetings and the names of individuals attending the meetings.

Response to COMM 1:

While the full complement of meetings related to this topic includes the Collaborative meetings, many additional meetings with National Grid and other stakeholders were conducted. The process for reviewing the projected costs and savings as they will ultimately translate into the Illustrative 2015-2017 Gas and Electric Benefit Cost Models (BC Models) is interrelated with and a part of numerous meetings and conversations regarding strategy, implementation and the Technical Reference Manual (TRM). The following is a list of meetings conducted in which the general subject was covered at some level:

- July 10 – C&I Strategy Meeting: National Grid C&I Strategy Group (Puja Vohra, Ben Rivers, Alice Hourihan); EERMC Consultant Team (Mike Guerard, George Lawrence; Sam Huntington); RI Office of Energy Resources -OER (Rachel Sholly) 1.5 hours
- July 18 – BC Model Review: National Grid (Rachel Henschel, Sean Murphy, Courtney Lane) and Consultant Team (Sam Huntington, Glenn Reed) 1.5 hours
- July 29 – Review of Cost Drivers: National Grid (Rachel Henschel) and Consultant Team (Mike Guerard, Scudder Parker; Sam Huntington) 1 hour
- August 8 – TRM status review: National Grid (Sean Murphy) and Consultant Team (Sam Dent, Sam Huntington, Glenn Reed) 1 hour
- August 12 - C&I Strategy Meeting: National Grid C&I Strategy Group (Puja Vohra, Ben Rivers, Alice Hourihan); EERMC Consultant Team (Mike Guerard, George Lawrence; Sam Huntington); RI Office of Energy Resources -OER (Rachel Sholly) 1.5 hours

Many additional discussions and information sharing took place through ad hoc phone calls and email exchanges.

COMM 2. VEIC Report, page 14-15. How did the consultant review National Grid's screening model? Did a discussion ensue about the screening model, or was the screening model actually provided to the consultant in electronic or other format?

Response to COMM 2:

The EERMC Consultant Team reviewed all drafts, and the final version of the BC Models, and had discussions with National Grid staff throughout the process. We conduct a thorough review of the model's mechanics (formulas) and inputs. The spreadsheets are extensive, with 13 individual tabs covering Inputs, Measure Inputs and Calculations for each year (9 tabs), Avoided Costs, Cost Table, Benefits Table, and a Summary. For the electric model, the main input sheets include over 230 rows of measures mapped to over 60 columns of values (i.e. cost, savings, impact factors, etc.); the natural gas version has just over 100 rows and 60 columns. Examples of specific tasks undertaken as part of the review include:

- Carefully reviewing all screening inputs for new measures (generally there are only a handful each year)
- Comparing measure inputs to models from previous years to assess where any significant changes have occurred, and then reviewing those changes
- Checking the source of impact factors
- Checking that the deemed energy savings values for measures are reasonably derived from the TRM
- Verifying the source of avoided costs (AESC) and any manipulations they've undergone (inflation, discounting, combination of values like energy and DRIPE, etc.)

We received a first draft of the BC Models as well as a document that provided an overview of the modeling approach by program and fuel on July 9, 2014. Appropriate subject area experts on our team engaged in the initial review upon receipt. A conference call with National Grid was held on July 18th to discuss the preliminary draft. A second draft was provided to the EERMC Consultant Team and to the Division's Consultants (Jenn Kallay/Synapse) on July 28. Via ad hoc phone calls, in-person discussions at related meetings, and e-mail, our Team continued to clarify issues and refine our analysis throughout the process leading to the final version.

Review of the Model enables the Consultant Team (among other things) to :

- identify savings opportunities not considered initially by Grid, e.g., ENERGY STAR dryers
- eliminate measures and/or adjust program requirements to higher levels of stringency due to changing baselines and updated federal standards, e.g., ENERGY STAR TVs and refrigerators
- ensure that proposed participation/unit numbers are reflective of the dynamic and evolving markets for key measures, e.g., increased focus on LED lighting at both retail and for direct installation

COMM 3. VEIC Report, page 15. Identify the updated assumptions on estimated efficiency costs and savings referred to on page 15 of the Report.

Response to COMM 3:

Examples include:

- Most of the C&I aggregated measures were updated using the latest information from Grid's vendors and contractors on project costs and savings. This includes higher

- savings for street lighting; higher costs for upstream lighting; higher savings in C&I custom to reflect increased use of financing to close projects; updated costs and savings for CHP; and slightly higher costs for the Small business program to reflect a more comprehensive mix of measures.
- Costs for the Codes and Standards program were updated to reflect lessons learned after a year of implementation
 - Administrative costs of the Multifamily program were updated to reflect new implementation strategies
 - Costs of the Residential HVAC program were updated to reflect lower incentives
 - Average incentive costs for single family EnergyWise program was updated to reflect latest information from contractors
 - Incentive Costs of Residential LEDs (all types – indoor/outdoor, bulbs/fixtures, specialty/a-lamps, etc.) were updated to reflect changing technology costs

COMM 4. VEIC Report, page 15. Identify measures that were added and dropped and the reasons why they were added or dropped.

Response to COMM 4:

In general, measures are added to programs because they are a new cost-effective technology (LED street lights, SEDI dryers), or they are an old cost-effective technology with a new market or newly effective delivery strategy (Ladybug shower adapters, roadrunner computer). However, a measure's inclusion in a program does not necessarily mean it has its own row in the BC model (that is, measures may be promoted as part of custom projects). Measures that appear individually in the BC model are generally those that are either delivered prescriptively (e.g. lighting), are standard components of a program offering (e.g., air sealing, weatherization), or can otherwise be forecasted with reasonable certainty (e.g., home energy reports). Not all measures meet these criteria, such as many C&I measures, in which case they are captured as part of more general measures (e.g., upstream lighting, custom, etc.).

Measures Added:

- Street lighting – this is expected to become a more significant measure in the coming years due to emergence of high efficiency LED street lights and Grid's associated tariffs.
- Ladybug Shower adapter – this is a retrofit product for existing “high-flow” showerheads to save hot water and the associated energy. It allows people to keep their current showerhead instead of switching to a new low-flow variety. Popular with some consumers.
- SEDI (Super Efficient Dryer Initiative) clothes dryers – these are not available on the market yet but are anticipated to be within the timeframe of the next three year plan.
- Roadrunner – super efficient computer
- Exterior LEDs – now common enough to be offered as a prescriptive measures
- Circulator pumps for MF – previously promoted as custom measures, more often in C&I applications, these have good applications in hydronically heated multifamily homes that have several heating zones.

COMM 5. VEIC Report, page 15. In finding National Grid's processes for revising cost-effectiveness inputs and assumption to be thorough and comprehensive, what was your basis of comparison, if any?

Response to COMM 5:

The revision process has gradually improved over the years through clearer and more realistic scheduling on milestones, and the associated tighter coordination between National Grid's timely delivery of drafts and our matching timeliness of response as drafts progress. However, the comment was not intended as a direct comparison. Rather, we simply meant to recognize National Grid for paying appropriate attention to the details of the BC model as they develop their plan.

COMM 6. VEIC Report, page 17. Provide specific examples of how National Grid's impact evaluation methods have been superior to prevailing industry standards. Include in your response the sources or sources that define prevailing industry standards.

Response to COMM 6:

As discussed in the passage on page 17 of the original report, National Grid's evaluation activities in Rhode Island have generally been closely integrated with those in Massachusetts, with some Rhode Island-specific studies added where deemed appropriate. For the most part, the integration of National Grid's evaluation activities in Rhode Island with those of the statewide evaluation program in Massachusetts takes the form of adding cases to samples or in other ways leveraging studies being performed in Massachusetts. Massachusetts and Rhode Island studies are typically designed to meet all applicable evaluation protocols, including the International Performance Monitoring and Verification Protocols (IPMVP), the US DOE's Uniform Methods Project (UMP), and the NE ISO's Forward Capacity Market (FCM) Protocols. What distinguishes these studies is that National Grid's evaluation activities in Massachusetts are part of a closely coordinated statewide evaluation program overseen on a daily basis by the Massachusetts Energy Efficiency Advisory Council (EEAC) and its team of consultants under an agreement reached in 2009. This is one of the strongest frameworks for public oversight of evaluation activities of any state in which those activities are performed by program administrators, with the EEAC's consultants directly involved in every stage of the evaluation process, and having authority to directly over-ride program administrator decisions if judged necessary. The evaluations in which Rhode Island participates or leverages benefit from this oversight. In addition, Massachusetts studies regularly constitute a significant portion of the national and even world-wide body of published literature in the energy efficiency evaluation industry.

COMM 7. Are VEIC's consulting services provided under contract with the EERMC, and if so, please provide

Director	185	185	185	190	205	205	205
Sr. Consultants	170	170	185	185	190	190	190
Consultants	155	155	160	160	175	175	175
Sr. Analyst	140	140	150	150	150	150	150
Analyst			115	115	115	115	115
Admin Coordinator		80	80	80	100	100	100

e) Seven Years

f) The table below shows the amount of actual payments to the Consultant Team (including all sub-contracting members of the Team: In many years, the amount actually paid has been significantly below the authorized contract amount. In no year has the Consultant Team exceeded its budget. Most of the work this funding has paid for is related directly or indirectly to the EERMC's effective oversight of and engagement in National Grid's Triennial Procurement Plans, and Annual Program Plans, and their ongoing implementation. A reasonable estimate of the time devoted directly and indirectly to this work would be in the range of 70%.

Actual Payments

2008	\$228,645.87
2009	\$228,873.85
2010	\$318,743.30
2011	\$511,589.38
2012	\$667,767.15
2013	\$758,375.84
2014	\$496,478.10
total	\$3,210,473.49

g) To the best of our knowledge 100% of the funds identified in the table in paragraph f) were paid from National Grid's energy efficiency program charge.

COMM 8. VEIC Report, page 3. Provide the minutes of the September 4, 2014 EERMC meeting and the September 11, 2014 EERMC meeting in which the Council voted to approve the VEIC Report.

Response to Comm. 8:

The Minutes of the September 4, 2014 EERMC Executive Committee are attached below.

The Minutes of the September 11, 2014 EERMC meeting are not yet available, but will be provided as soon as they are.



STATE OF RHODE ISLAND
**ENERGY EFFICIENCY &
RESOURCE MANAGEMENT COUNCIL**

EXECUTIVE COMMITTEE MEETING MINUTES

Thursday, September 4, 2014

2:00 - 3:00 PM

Conference Room B
Department of Administration
One Capitol Hill, Providence, RI

- Members Present:** Abigail Anthony, Marion Gold, Jeremy Newberger (for Michael McAteer), Chris Powell, Paul Ryan
- Members Absent:** Michael McAteer
- Consultants Present:** Mike Guerard, Scudder Parker
- OER Staff Present:** Chris Kearns, Danny Musher, Rachel Sholly
- Others Present:** No others were present

1. Call to Order

Chairman Paul Ryan called the meeting to order at 2:04 PM.

2. Approval of Executive Committee August Meeting Minutes

Abigail Anthony made a motion to approve the August meeting minutes as submitted. Chairman Ryan seconded and all approved.

3. Review of EERMC September Meeting Agenda

Ms. Anthony suggested that the Council vote to formalize effort to extend least cost procurement legislation. Jeremy Newberger pointed out that, because this is included in the Annual Report, the Council has already voted to support the extension. Danny Musher felt that it would be prudent to explain what the extension is and if the Council is advocating for changes other than the date. Chris Kearns replied that the cleanest path is to simply extend the date. This will be added to the Council agenda as item #5. Ms. Anthony offered her official vote of supporting this move. System Integration will be moved to the October. The group should discuss moving the Executive Committee meeting to October 9th.

4. Discussion of EERMC New Member Nomination Process

The OER will send the draft job descriptions and rules of procedure to the full Council. Then these will be sent to Dan Prentiss for feedback. The two new positions could be filled immediately, since they are vacant now.

5. Consultant Team Update

Delivered Fuels Memo

Mr. Guerard explained that as a follow-up to the discussion in the last meeting, the Consultant Team agreed to put together a memo on the delivered fuels energy efficiency funding issue. One issue is identifying a sustainable, more robust (potentially up to the least cost procurement level) funding source for delivered fuels energy efficiency. This issue is partly the focus of the delivered fuels working group, which is led by Danny Musher of the Office of Energy Resources (OER) and includes members of National Grid's residential team, People's Power and Light, the Oil Heat Alliance, CommerceRI, a couple oil dealers, and the EERMC. This work will not result in solutions for 2015 or 2014, however, which is the other issue. The \$800,000 that the OER made available to National Grid for delivered fuels energy efficiency measures in 2014 has been completely depleted. In order to maintain the status quo, the Consultant Team suggests building it back into programs, which is really the only option in the short term.

Mr. Powell noted that Regional Greenhouse Gas Initiative (RGGI) funding, which has been used for these initiatives, is growing. He felt that if it sounds like gas customers are paying for delivered fuels through the system benefit charge, we could get pushback, so we might want to use RGGI funds. Mr. Guerard noted that the Department of Environmental Management (DEM) agreed to allow RGGI funds to be used for delivered fuels as a one-time allocation. Perhaps it is time to go back to DEM, especially given the winter gas price spikes. Mr. Powell noted that the OER has to consult with DEM and the EERMC, but has final authority on how the funds get spent. If RGGI dollars were allocated to National Grid's electric budget, it is being spent on electric and the National Grid is directed to fund delivered fuel homes out of that electric budget. Ms. Anthony noted that RGGI is a year-to-year decision and cannot be depended on.

Mr. Newberger asked Commissioner Gold if the OER has considered the idea of allocating RGGI proceeds on a quarterly basis, to get funds out the door more quickly as they come in. Commissioner Gold will discuss with OER staff and decide how to move forward.

Mr. Guerard summarized by saying that the point of this memo is to ascertain if the Council feels it is important to make sure there is at least some funding for delivered fuels customers and to engage in a stakeholder effort to figure out the best solution. Mr. Newberger said that National Grid will continue its discussions on this, including during next week's Demand Collaborative meeting. Mr. Guerard also mentioned that the delivered fuels working group is aiming to have a paper done in October. There will likely be a November or December Council presentation on the longer term delivered fuels funding issue.

Mr. Musher asked how the timing would work with developing a RGGI allocation plan for January 2015. Mr. Newberger suggested allocating the first three auctions of 2014 and then developing another plan for after the second auction next year, going annual after that. The key is the timing of distribution, since the current model introduces a significant lag in getting funds out the door. MA does it quarterly.

Cost-Effectiveness Memo

Mr. Guerard reported that the Three-Year Plan Cost-Effectiveness memo is due within two weeks of the Plan filing. We need to get this in front of the Council for vote next Thursday and must submit on the following Monday. Mr. Newberger confirmed that the Three-Year Plan was submitted on time. The approval of the targets is not on the Public Utilities Commission (PUC) website. Ms. Sholly will send note to PUC to check on this.

Mr. Guerard asked Mr. Powell if he could continue to represent The Energy Council of Rhode Island (TEC-RI). Mr. Powell replied that Brown University is resigning from TEC-RI. Mr. Guerard will remove the mention of TEC-RI from the memo.

Mr. Newberger explained that the Three-Year Plan is submitted by the Company and other parties submit letters of support. Ms. Anthony recommended that the Consultant Team draft a cover note on behalf of the EERMC that says that the Council finds the Plan cost-effective and encourages the PUC to approve it. The cover letter should note that the Council approved it on August 18th instead of August 15th.

Mr. Powell suggested that the Consultant Team reach out to Doug Gablinsky, the new TEC-RI executive director, to educate them on the issues and request a letter of support. Ms. Anthony felt that the Council may want to find other partners who are more likely to work with us.

Bill Messaging Memo

Mr. Parker reviewed the memo and supporting documents (see attached). Commissioner Gold felt that this does not get to the goal of demonstrating to the customer that energy efficiency is cheaper than supply. There is a power sources list that shows what percentage of the mix different things are, which could include energy efficiency. Mr. Powell noted that this does not show the cost per kWh. Ms. Anthony asked if there are any good examples of other investments that people make that have a lifetime stream of benefits, like health care. Mr. Musher asked if it would be better to communicate this message in words or a graphic, rather than trying to convey it by adjusting numbers.

6. Discussion of Impending Rate Increases & Communications Approach

A communications firm is developing draft strategy for the region, which will be rolled out December.

7. Discussion of Energy Expo Planning Assistance Proposal

Ms. Sholly posed the idea of requesting \$5,000 to hire a URI Energy Fellow to assist with Energy Expo planning. The Committee suggested asking for \$10,000 to potentially cover two students.

8. Selection Process for Consultant Team

Two proposals were received. The OER will distribute the proposals and scoring sheet to the Executive Committee for discussion at the next Executive Committee meeting.

9. Public Comment

There was no public comment.

10. Adjournment

Chairman Ryan adjourned the meeting at 3:15 PM.

Full EERMC Meeting: Thursday, September 11th 3:30-5:30 PM; Conf. Room B

Next Exec. Comm. Meeting: Thursday, October 2nd 2:00-3:00 PM; Conf. Room B