

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID'S 2015 ENERGY : DOCKET NO. 4527
EFFICIENCY PROGRAM PLAN AND :
2015 SYSTEM RELIABILITY PROCUREMENT : DOCKET NO. 4528
REPORT

ORDER

I. Introduction

On November 1, 2015, National Grid (Company) filed the Energy Efficiency Program Plan (EPPP) for 2015 and 2015 System Reliability Procurement (SRP) Report.¹ The filings are settlement agreements executed by National Grid, the Division of Public Utilities and Carriers, the Energy Efficiency and Resources Management Council (Council), TEC-RI and Environment Northeast. The filings are made pursuant to the System Reliability and Least Cost Procurement Act and the Standards for Energy Efficiency and Conservation Procurement and System Reliability.² National Grid filed its 2015-2017 Energy Efficiency and System Reliability Plan on September 1, 2014 which set long-term goals for energy efficiency and system reliability for years 2015 through 2017. The Commission unanimously approved the 2015-2017 Energy Efficiency and System Reliability Plan at an open meeting on October 30, 2014.

II. 2015 Energy Efficiency Program Plan

A. Electric Budget

The Company proposed a budget of \$86.6 million to deliver a myriad of electric efficiency programs in 2015, including the statutorily mandated combined heat and power plan proposal. This budget would be funded from several different sources including energy

¹ The Narragansett Electric Company d/b/a National Grid.

² R.I. Gen. Laws §39-1-27.7; Commission Order No.20419 issued June 7, 2011 (Docket No. 4202). The Standards for Energy Efficiency and Conservation Procurement and System Reliability are included in Order 20419 as Appendix A.

efficiency commitments from 2014; the 2014 energy efficiency carry-over balance; forward capacity market (FCM) payments; regional greenhouse gas initiative (RGGI) auction proceeds; and a fully reconciling funding mechanism.³ The fully reconciling funding mechanism is the amount funded by ratepayers which appears on the electric bill as an energy efficiency program charge (EEP charge). The Company proposed a per kilowatt-hour EEP charge of \$0.00935 to fund the 2015 Energy Efficiency Program Plan.⁴ As in previous years, the Company would add to this charge the proposed SRP factor of \$0.00007 (discussed below), and the uncollectible rate of 1.25%, for a total combined electric EEP charge of \$0.00953/kWh.⁵ This is an increase of \$0.00042 to the current EEP charge of \$0.00911.⁶ The bill impact of the proposed electric EEP charge for a customer consuming 500 kWh per month is an increase of \$0.22 or 0.3%.⁷

The Company reported an overall benefit cost ratio of 2.45 for the portfolio of energy efficiency programs proposed for 2015.⁸ The electric efficiency programs proposed in the 2015 EEPP are expected to produce lifetime savings of 1,966,462MWh and total benefits of approximately \$277.8 million.⁹ The Company also represented that the 2015 electric efficiency programs would generate approximately \$227.9 million in economic benefits for Rhode Island electric customers.¹⁰

³ National Grid's 2015 Energy Efficiency Program Plan, Table E-1.

⁴ Id.

⁵ Id. The Commission approved new uncollectible rates for electric (1.25%) and gas (3.18%) in Docket 4323 (Order No. 21011, issued 04/11/13)

⁶ National Grid's 2015 Energy Efficiency Program Plan, Table E-1.

⁷ National Grid Response to Record Request 1, Attachment RR-1A at 1.

⁸ National Grid 2, Table E-5.

⁹ National Grid's 2015 Energy Efficiency Program Plan at 3 (Table 2).

¹⁰ National Grid's 2015 Energy Efficiency Plan at 4.

B. Gas Budget

The Company proposed an overall budget of \$24.5 million to fund natural gas efficiency programs in 2015. Funding sources for the gas efficiency budget include a 2014 carry-over balance; low income weatherization; and a fully reconciling funding mechanism.¹¹ The gas efficiency budget consists of three distinct budgets to separately fund energy efficiency programs for the residential, low income residential and commercial and industrial sectors. The Company segregates gas efficiency budgets for different customer classes in this fashion in effort to align the costs of the programs with the customers' charges and to mitigate cross subsidization. The Company proposed gas efficiency budgets of \$10.9 million and \$5.2 million, respectively, for the residential and low-income sectors.¹² The Company proposed a \$7.7 million gas efficiency budget for the commercial and industrial sector.¹³ The proposed budgets result in per-dekatherm, gas efficiency charges of \$0.781 for residential customers, \$0.781 for low-income customers, and \$0.637 for commercial and industrial customers.¹⁴

The Company reported an overall benefit cost ratio of 1.97 for the proposed 2015 gas efficiency programs.¹⁵ The benefit cost ratios reported for the individual sectors were 2.13 (residential), 1.37 (low income), and 2.23 (commercial and industrial).¹⁶ The gas efficiency programs proposed in the 2015 EEPP are expected to produce lifetime savings of 4,886,893 MMBtu and total benefits of approximately \$58.6 million.¹⁷ The Company also represented that

¹¹ National Grid's 2015 Energy Efficiency Program Plan, Table G-1.

¹² National Grid's 2015 Energy Efficiency Program Plan, Table G-2.

¹³ Id.

¹⁴ National Grid's 2015 Energy Efficiency Program Plan, Table G-1.

¹⁵ National Grid's 2015 Energy Efficiency Program Plan, Table G-5.

¹⁶ Id.

¹⁷ National Grid's 2015 Energy Efficiency Program Plan at 3 (Table 2).

the 2015 gas efficiency programs would generate approximately \$58.6 million in economic benefits.¹⁸

C. 2015 Energy Efficiency Programs

The Company proposed to continue the energy efficiency programs previously approved by the Commission. Energy efficiency programs offered by National Grid are segregated into three sectors based on the customer classes they serve. The Company offers energy efficiency programs in the non-income eligible residential sector, the income eligible residential sector, and the commercial and industrial sector. Within these sectors, the Company offers a variety of energy efficiency programs designed to serve the needs of the particular customer class. One of the most popular programs in the residential sector is the Energywise program. Customers participating in the Energywise program receive home energy audits from an experienced contractor who educates the customer about how to make their home more energy efficient. Income-eligible programs offer similar services at no cost to households that qualify for the Low Income Heating Assistance Program and fulfill other eligibility requirements. In the commercial and industrial sector, the Company offers energy efficiency programs tailored to the size and needs of the customer. They include products and services offered to customers engaging in new construction, as well as retrofit services offered to existing building owners. The Company also offers a variety of energy efficiency products and services to small businesses whose average monthly demand is less than or equal to 200kW. Eligible small businesses can receive on-bill repayment for up to 30% of a project's costs. Repayment can be over twenty four months at 0% interest or a lump sum payment with a 15% discount.¹⁹

¹⁸ Id. at 4.

¹⁹ Id. at 37.

III. 2015 System Reliability Procurement Report

National Grid's 2015 System Reliability Procurement Report reviews the goals and highlights of the Load Curtailment Pilot for 2015. The Company is entering the fourth year of the Load Curtailment Pilot (Pilot). The Commission approved the Load Curtailment Pilot in 2012.²⁰ The purpose of the Pilot is to shed load in the Tiverton, Rhode Island area through the use of energy efficiency and non-wires alternatives in order to defer construction of a substation feeder. The Company will continue most of the strategies begun in previous years, including, notably, the solarization initiative and demand response events begun in 2014. It will also continue work on marketing and evaluation of the Pilot, using past experience to improve customer outreach, awareness, and participation.

The Company reported steady progress in the Pilot's participation level following 2014 but expressed concern that the Pilot may have reached a participation level which may be difficult to increase without incurring significant costs. To address this problem, the Company reported that it planned to introduce new incentives in 2015. For example, the Company intends to add an enhanced incentive for electric heat pump water heaters. Since water heating is done mostly during the peak periods of the day, the Company hopes that increased use of electric heat pump water heaters will serve to shed some of the peak load in the Pilot area. Additionally, since these water heaters are promoted through the state energy efficiency program, the Company contends that utilizing these statewide energy efficiency incentives will achieve the goal of shedding load in the Pilot area in an optimal, cost efficient manner.

Continuing the theme of collaborating with statewide energy efficiency programs, the Company noted that in 2015 almost all of the costs associated with LED bulbs will be covered

²⁰ Order No. 20662 (Docket No. 4296).

by the Energywise program. The Company began offering Pilot participants LED bulbs at no cost through the Energywise program in an effort to cost-effectively leverage statewide energy efficiency programs in the Pilot area. The Company will continue this practice in 2015 with nearly all of the costs of these bulbs being paid for through the Energywise program.

The Company reported plans to attract more income eligible customers to the Pilot in 2015. The Company will collaborate with local community action agencies in order to attract these customers which represent a very small segment of the population (approximately 6%) in the Pilot area.

In order to continue funding the Load Curtailment Pilot in 2015, the Company requested approval of a proposed budget of \$568,641. This amount consists of a 2015 system reliability budget of \$513,193, plus a 2014 fund balance of \$55,448.²¹ The Company requested approval to charge ratepayers a uniform, per kilowatt-hour system reliability factor of \$0.00007 to fund the Pilot, which would be rolled into the EEP charge of \$0.00935/kWh. As noted above, the combined EEP charge proposed by the Company, including the SRP factor of \$0.00007, is \$0.00953.²²

IV. Decision

The record reflects that the energy savings, monetary benefits, and benefit cost ratio associated with the 2015 Energy Efficiency Program Plan are reasonably consistent with the 2015-2017 Energy Efficiency and System Reliability Procurement Plan approved by the Commission in Docket 4522. In the 2015-2017 triennial plan, the Commission approved the Company's projection that 1,956,845 lifetime MWh savings would result from the 2015 Energy

²¹ Letter of Jennifer Brooks Hutchinson at 2 (10/31/14).

²² Total combined EEP charge, including SRP factor, includes an uncollectible rate of 1.25%. Electric and gas uncollectible rates (1.25% and 3.18%) were approved by the Commission in Docket No. 4323.

Efficiency Program Plan. The Company currently projects that the 2015 Energy Efficiency Program Plan will result in 1,966,462 in lifetime MWh savings for Rhode Island ratepayers. Similarly, the Company projected in the triennial plan that Rhode Island ratepayers would receive lifetime benefits of \$282,875,002 from energy efficiency programs in 2015. The Company now projects lifetime benefits of \$277,886,399 as a result of the 2015 Energy Efficiency Program Plan. Likewise, the Company is estimating a total benefit cost ratio of 2.45 associated with the portfolio of energy efficiency programs proposed in the 2015 Plan. This is slightly lower than the 2.61 benefit cost ratio projected in the triennial plan.

The projections associated with the gas efficiency programs in 2015 are also similar to the 2015-2017 Energy Efficiency and System Reliability Procurement Plan. While the projections contained in the 2015 Energy Efficiency Program Plan are not identical to those contained in the triennial plan, they are reasonably consistent. The slight aberration between the triennial and annual plan projections is not only acceptable but expected given the high level planning which characterizes the triennial plan. This is not the first time estimates reported in a triennial plan have been slightly different from an annual plan. The purpose of the triennial plan is to provide long-term projections of energy and cost savings which are intended to guide the development of the more detailed, annual plans. As such, one would expect to encounter slight anomalies when comparing the three-year plan to the more detailed, annual plan.

The 2015 Energy Efficiency Program Plan is consistent with the electric and gas efficiency savings targets approved by the Commission in Docket No. 4443. The Company is reporting electric and gas savings target of 2.5% and 1.0% associated with the 2015 Plan.²³ These targets are identical to the energy efficiency savings targets approved by the Commission

²³ Target percentages refer to the 2012 electric and gas loads.

in Docket 4443.²⁴ The 2015 Energy Efficiency Program Plan is a settlement agreement signed by the Parties, all of whom are members of the Collaborative who have participated in the development of the 2015 Plan. The Parties include the Division and the EERMC, both of whom support the 2015 Plan as a cost effective means of complying with the statutorily mandated least cost procurement of energy efficiency. The Commission therefore finds, based on the record, that the 2015 Energy Efficiency Program Plan is cost effective and consistent with the purposes of the Least Cost Procurement Act. The Commission hereby approves National Grid's 2015 Energy Efficiency Program Plan as filed.

Although Commissioner DeSimone voted to approve the 2015 Plan, he expressed concern that National Grid may be soliciting customers to convert to gas and that such a practice could adversely affect oil companies which are small businesses. Commissioner DeSimone questioned the assumption that wi-fi thermostats would be used for energy conservation and was not convinced that home energy reports or wi-fi thermostats are cost-effective. Commissioner DeSimone encouraged the parties to take a closer look at the benefits and cost-effectiveness of these programs.

The 2015 System Reliability Procurement Report is consistent with the themes reported in the Company's 2015-2017 Energy Efficiency and System Reliability Procurement Plan. For 2015, the Company reported that it would add enhanced incentives to the Tiverton Pilot for electric heat pump water heaters. The Company will also focus efforts on recruiting income eligible customers to the Tiverton Pilot. These efforts will require the Company to leverage statewide energy efficiency programs and hopefully minimize costs. The Commission finds these strategies to be reasonable and consistent with the 2015-2017 Energy Efficiency and

²⁴ Order No. 21767 (Docket No. 4443).

System Reliability Procurement Plan. The Commission also finds the projected SRP budget for 2015, \$513,200, to be reasonable in light of the goals reported in the program. The 2015 System Reliability Plan is supported by the Collaborative as a cost effective means of complying with the statutorily mandated least cost procurement of system reliability. The Commission therefore finds, based on the record, that the 2015 System Reliability Procurement Plan is cost effective and consistent with the purposes of the Least Cost Procurement Act. The Commission hereby approves National Grid's 2015 System Reliability Procurement Plan as filed.

ACCORDINGLY, it is

(21854) ORDERED:

1. Narragansett Electric Company d/b/a National Grid's 2015 Energy Efficiency Program Plan is approved for effect on January 1, 2015;
2. Narragansett Electric Company d/b/a National Grid's 2015 System Reliability Procurement Report is approved for effect on January 1, 2015.
3. The energy efficiency program charge and fully reconciling funding mechanisms proposed by National Grid to support the 2015 Energy Efficiency Program Plan and 2015 System Reliability Procurement Report are approved as filed. Accordingly, in order to fund the 2015 Energy Efficiency Program Plan and the 2015 System Reliability Procurement Report, National Grid is authorized to collect from all electric customers a per-kilowatt hour energy efficiency program charge of \$0.00953/kWh. This approved energy efficiency charge consists of the existing energy efficiency program charge of \$0.00911/kWh, plus a fully reconciling funding mechanism of \$0.00042/kWh, a system reliability factor of \$0.00007/kWh, and an uncollectible rate of 1.25%.

4. The energy efficiency program charge and fully reconciling funding mechanisms proposed by National Grid to support gas efficiency programs in 2015 are approved as filed. Accordingly, in order to fund gas efficiency programs in 2015, National Grid is authorized to collect from all residential gas customers a per-dekatherm charge of \$0.781, and from commercial and industrial gas customers, a per-dekatherm charge of \$0.637. The approved energy efficiency program charge for residential gas customers consists of the existing energy efficiency program charge of \$0.600 per dekatherm, plus a fully reconciling funding mechanism of \$0.181 per dekatherm, and an uncollectible rate of 3.18%. The approved energy efficiency program charge for commercial and industrial gas customers consists of the existing energy efficiency program charge of \$0.492 per dekatherm, plus a fully reconciling funding mechanism of \$0.145 per dekatherm, and an uncollectible rate of 3.18%.
5. Any and all tariff provisions filed by National Grid shall comply with the terms and provisions of this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON DECEMBER 23, 2014
PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED
MARCH 19, 2015.

PUBLIC UTILITIES COMMISSION




Margaret E. Curran, Chairperson


Paul J. Roberti, Commissioner


Herbert F. DeSimone, Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (7) days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.