STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID'S 2016 ENERGY	:	DOCKET NO. 4580
EFFICIENCY PROGRAM PLAN AND	:	
2016 SYSTEM RELIABILITY PROCUREMENT	:	DOCKET NO. 4581
REPORT	:	

ORDER

I. Introduction

On October 15, 2015, The Narragansett Electric Company d/b/a National Grid (Company or National Grid) filed with the Public Utilities Commission (PUC or Commission) its Energy Efficiency Program Plan for 2016 (Efficiency Plan) and its 2016 System Reliability Procurement Report (Reliability Report). Each was filed as a settlement agreement executed by National Grid, the Division of Public Utilities and Carriers (Division), Acadia Center, the Energy Efficiency and Resources Management Council (EERMC), People's Power and Light, the Office of Energy Resources (OER), and the Green and Healthy Homes Initiative. The Efficiency Plan and the Reliability Report were submitted pursuant to 1) R.I. Gen. Laws § 39-1-27.7, which establishes a framework for PUC review and approval of these filings, and 2) the Standards for Energy Efficiency and Conservation Procurement and System Reliability (Standards), approved by the Commission in Docket No. 4202.[1]

On December 16, 2015, after review and consideration of the filings through discovery and a hearing, the PUC approved both filings. It found them to be consistent with the system reliability and least cost procurement requirements set forth in R.I. Gen. Laws §39-1-27.7, as well as with the Standards previously approved by the PUC.

[1] *See* Commission Order No. 20419, Docket No. 4202 (July 25, 2011); http://www.ripuc.org/eventsactions/docket/4202-NGrid-Ord20419(7-25-11).pdf.

II. National Grid's Energy Efficiency Program Plan for 2016

A. Electric Budget

The Company proposed a budget of $87.5 million to deliver electric efficiency programs in 2016, estimated to create annual savings of 199,760 MWh and lifetime savings of 1,792,431 MWh.[2] The Company reported a benefit-cost ratio of 1.77, meaning that for each dollar invested, electric programs would generate $1.77 of benefits over the lifetime of the investment.[3] The Company asserted that the Efficiency Plan satisfied the statutory requirement that the cost of procuring energy efficiency as provided for in the plan is less than the cost of energy supply. The Company projected that the cost to procure energy savings through efficiency was 6.09¢ per kWh; that is, 5.38¢ less than the estimated cost of supply, at 11.47¢ per kWh.[4]

The Company reported that several performance targets of the current Efficiency Plan differed from what was established in the 2015-2017 Energy Efficiency Procurement Plan (Three-Year Plan), which the Commission approved in Docket No. 4522.[5] In particular, the lifetime savings of the 2016 Efficiency Plan were 15% lower than was projected in the Three-Year Plan. Additionally, the benefit-cost ratio of the 2016 Efficiency Plan was 59% lower and the cost to procure energy savings through efficiency was 14% higher than was projected in the Three-Year Plan. The Company noted that the cost of transferring $1.4 million to the Rhode Island

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[2] National Grid's 2016 Energy Efficiency Program Plan, Table 2 at 6 [hereinafter Efficiency Plan]; http://www.ripuc.org/eventsactions/docket/4580-NGrid-2016-EEPP(10-15-15).pdf.

[3] *Id.*

[4] *Id.* at 3-4. Numbers are based on the kWh saved over the aggregated lifetime of the Efficiency Plan.

[5] Since 2008, the Company has been required to file Three-Year Plans for system reliability and energy efficiency and conservation procurement. Three Three-Year Plans have been filed as of the date of this decision, Docket No. 3931 (2009-2011), Docket No. 4202 (2012-2014), and Docket No. 4443 (2015-2017), the last of which concerns this 2016 annual plan. Each Three-Plan includes overall budgets and efficiency targets spanning three years of implementation beginning January 1 of the following year. The purpose of the Three-Year Plan is to guide the development of the Company's annual Energy Efficiency Program Plans and System Reliability Procurement Reports, filed each year on November 1. R.I. Gen. Laws §39-1-27.7(c)(4). At the time of this decision, the following Three-Year Plans had been filed: Docket No. 3931 (2009-2011), Docket No. 4202 (2012-2014), and Docket No. 4443 (2015-2017), the last of which concerns this 2016 annual plan.

Infrastructure Bank (Infrastructure Bank) was a factor that decreased the benefit-cost ratio.[6] Finally, the customer charge to fund the Efficiency Plan was 7% higher than was projected in the Three-Year Plan.[7]

Funding for the $87.4 million electric budget included the current Energy Efficiency Program charge of 0.953¢ per kWh, revenue from ISO-New England's Forward Capacity Auction, and the Regional Greenhouse Gas Initiative (RGGI) auction proceeds. The Company proposed a fully reconciling mechanism of 0.124¢ per kWh to fund the electric energy efficiency programs for 2016.[8] As in previous years, the Company added to this charge the proposed System Reliability Procurement factor of .003¢ (discussed below), and the uncollectible rate of 1.25%, for a total combined electric Energy Efficiency Program charge of 1.077¢ per kWh. The bill impact of this charge for a customer consuming 500 kWh per month is an increase of 65¢ or 0.7%.[9]

B. Gas Budget

The Company proposed a budget of $27.7 million to fund natural gas efficiency programs that are anticipated to create annual savings of 395,760 MMBtu and lifetime savings of 4,935,572 MMBtu.[10] The gas efficiency budget consists of three distinct budgets that separately fund energy efficiency programs for the non-income-eligible residential, the income-eligible residential, and the commercial and industrial sectors. The Company segregated gas efficiency budgets for different customer classes to align the costs of the programs with the customers' charges and to mitigate cross subsidization. The Company proposed gas efficiency budgets of $12.8 million and $5.6 million, respectively, for the non-income-eligible residential and income eligible sectors. The

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[6] National Grid's Resp. to COMM 2-8; http://www.ripuc.org/eventsactions/docket/4580-NGrid-DR-PUC2.pdf
[7] *Id.*
[8] Efficiency Plan at Table E-1. See R.I. Gen. Laws §39-1-27.7(c)(5). This amount is funded by ratepayers and appears on the electric bill as an Energy Efficiency Program charge.
[9] National Grid's Resp. to COMM 2-10.
[10] *Id.* at 1 and Table G-1.

Company proposed an $9.3 million gas efficiency budget for the commercial and industrial sectors.[11]

The Company reported an overall benefit-cost ratio of 1.63 for the proposed 2016 gas efficiency programs.[12] The gas efficiency programs proposed in the Efficiency Plan were expected to produce total economic benefits of approximately $55.6 million.[13] The Company also represented that for each dollar invested, natural gas efficiency investments would create $1.63 in economic benefits over the lifetime of the investments.[14]

Funding sources for the gas efficiency budget included the existing Energy Efficiency Program charge of 78.1¢ per dekatherm for residential customers and 63.7¢ per dekatherm for non-residential customers.[15] In addition, the Company proposed total factors of 74.8¢ per dekatherm for residential customers and 48.7¢ per dekatherm for non-residential customers.[16] The proposed gas charges represented a reduction from the 2015 program charge of 4% for residential (income eligible and non-income-eligible) customers and 24% for non-residential customers.[17]

As in electric, there are variances between the annual gas Efficiency Plan and the Three-Year Plan. Relative to the Three-Year Plan, the 2016 annual plan benefits were 16% lower; total spending was 7% higher; the benefit-cost ratio was 27% lower; and the commercial and industrial energy efficiency program charge was 22% lower.[18]

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[11] *Id.* at Table G-1.
[12] *Id.* at Table G-5. The benefit-cost ratios for the individual sectors were estimated to be 1.79 (residential), 1.47 (low-income residential), and 1.63 (commercial and industrial).
[13] *Id.* at Table G-5.
[14] *Id.* at 5.
[15] *Id.* at Table G-1.
[16] *Id.*
[17] *Id.*
[18] National Grid's Resp. to COMM 2-8. According to the Company this decrease was driven by higher than anticipated gas sales in 2015, a result of the cold winter.

The combination of decreased benefits and increased costs, resulted in a lower benefit-cost ratio for the gas Efficiency Plan. The Company reported increased spending in 2016 because of changes in evaluation, incentives, and cost-effectiveness of EnergyWise and Single Family Income Eligible programs than outlined in the Three-Year Plan.[19] The EnergyWise Multi-Family program incurred increased costs associated with encouraging more participation. Finally, the transfer of $429,000 to the Rhode Island Infrastructure Bank also decreased overall cost-effectiveness of the plan.[20]

III. 2016 System Reliability Procurement Report

National Grid's 2016 System Reliability Procurement Report (Reliability Report) reviewed the goals and highlights of the fifth year of the load curtailment pilot (Pilot).[21] The Company proposed continuing the Pilot, which it initially proposed and the PUC approved in Docket 4296.[22] The purpose of the Pilot is to test the use of load curtailment, also known as demand response, as a means to manage load distribution capacity requirements during peak periods in the area served by the Tiverton substation.[23] According to the Company, the Pilot has allowed it to defer construction of a third feeder to that Tiverton-Little Compton area two years, from 2014 to 2016, and will defer this investment at least an additional year, until 2017.[24] The Company reported that the Pilot remains cost effective over its life, with a benefit-cost ratio of 1.29, and it is also cost effective for each year.[25]

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[19] *Id.*
[20] *Id.*
[21] National Grid's 2016 System Reliability Procurement Report [hereinafter Reliability Report]; http://www.ripuc.org/eventsactions/docket/4581-NGrid-2016-SRP(10-14-15).pdf.
[22] *See* Order No. 20262, Docket No. 4296 (Feb. 29, 2012); http://www.ripuc.org/eventsactions/docket/4296-NGrid-Ord20662(2-29-12).pdf.
[23] Reliability Report at 4.
[24] *Id*. at 24.
[25] *Id*. at 25.

For 2016, the Company proposed a budget of $441,100 and sought approval to apply the 2015 fund balance of $137,000 to the 2016 budget for a total customer-funded portion of $304,200.[26] The Company proposed to collect this amount from ratepayers in the form of a uniform, per-kWh System Reliability charge of .003¢. As in past years, this amount will be rolled into the Energy Efficiency Program charge of 1.061¢, as noted above, for a total, combined Energy Efficiency Program charge of 1.077¢ per kWh.[27]

The 2016 budget continued most of the strategies begun in previous years, including the Solarize initiative and demand response events begun in 2014. The Company will enhance energy efficiency incentives, provide additional energy efficiency measures not otherwise offered through the statewide programs, expand marketing in the Tiverton area to increase participation in all aspects of the Pilot, and conduct a targeted demand reduction program intended to reduce air conditioning loads.[28]

The Company's goal in 2016 was to revitalize participation levels, targeting the Tiverton and Little Compton areas for the Rhode Island Energy Challenge and the Home Energy Reports program.[29] The Company contended that those programs would raise customer awareness of the Pilot and increase participation in various energy efficiency measures.[30]

IV. Hearing

On December 2, 2015, the PUC held two hearings. The first hearing addressed National Grid's Energy Efficiency Program Plan for 2016. The second hearing addressed National Grid's 2016 System Reliability Procurement Report.

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[26] *Id.* at Table S-1.
[27] *Id*. Includes uncollectible rate of 1.25%.
[28] *Id.* at 4-5.
[29] *Id*. at 14-17. *See* Rhode Island Energy Challenge at http://www.findyourfour.com/.
[30] *Id.* at 15, 17.

A. National Grid's 2016 Energy Efficiency Plan (Docket No. 4580)

During the public comment period, the Energy Council of Rhode Island (TEC-RI) Executive Director Douglas Gablinske noted the five-fold increase in Energy Efficiency Program charge from 2008 through 2016, and averred that this upward trend was unsustainable.[31] In particular, he objected to the proposed 2016 Energy Efficiency Program charge which he asserted reflects an increase of over a penny from the Three-Year Plan.[32] Mr. Gablinske also criticized National Grid for increasing the Energy Efficiency Program charge to fund the Rhode Island Infrastructure Bank reserves, instead of making appropriate modifications to the Efficiency Plan to remain within its budget.[33]

Mr. Gablinske wondered when the saturation point of these energy efficiency measures would be reached.[34] Finally, referring to any variance between the Efficiency Plan and the Three-Year Plan as a deceptive practice of the Company, Mr. Gablinske requested that the Energy Efficiency Program charge be capped for a period of five years.[35]

Following public comment, OER Commissioner Marion Gold spoke on the benefits of energy efficiency, including reduced carbon emissions and lower bills for ratepayers.[36] She mentioned upcoming financing programs that will be offered by the Rhode Island Infrastructure Bank, including the Efficient Building Fund, and the commercial and residential Property Assessed Clean Energy (PACE) programs.[37] Commissioner Gold stated that the 2016 Energy

[31] Hr'g Tr. at 12-14 (Dec. 2, 2015).
[32] *Id.* at 14. In a subsequent filing, National Grid clarified the inaccuracy of this representation and other representations made by Mr. Gablinske. National Grid's Resp. to TEC-RI Comments (Dec. 9, 2015).
[33] Hr'g Tr. at 14-15.
[34] *Id*. at 16.
[35] *Id.* at 22-23.
[36] *Id*. at 45-46.
[37] *Id.* at 48.

Efficiency Program Plan is consistent with the Least Cost Procurement Act and supported by Governor Raimondo's administration.[38]

In response to questions regarding customer participation levels, the Company[39] indicated that it was attempting to eliminate duplication in tracking, where customers participate in more than one program.[40] The Company explained that its efforts were hampered by certain programs, such as upstream lighting, where customers could purchase LED lights at a hardware store. The Company had no way to track the number of LED products purchased by individual customers, only the total number of products sold.[41] Further, the Company could not identify how many of its 460,000 electric distribution customers participated in energy efficiency programs.[42] The Company explained that it could only provide participation levels associated with unique billing accounts.[43] The Company averred that it was continuing efforts to bring more transparency to its tracking of participation.[44]

The Company addressed its process for customers who have problems with outside vendors who install efficiency measures. It testified that while customer service works with vendors to resolve issues on behalf of customers, the Company had no formal process for tracking customer complaints related to energy efficiency programs. The Company offered that customers could email complaints to the Company or contact vendors directly.[45]

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[38] *Id*. at 49.
[39] The Company offered the testimony of: Michael McAteer, Director of Customer and Business Strategy; Edward Bartholomew, Commercial Lighting Program Manager; Puja Vohra, Lead Analyst, Commercial and Industrial Strategy Group; and the following employees from the Rhode Island Program Strategy Group: Rachel Henschel, Lead Analyst; Jeremy Newberger, Manager, Policy and Evaluation; Courtney Lane, Senior Analyst; Mixi Yang, Analyst; Angela Lee, Lead Analyst; Laura Rodormer, Senior Analyst. Hr'g Tr. at 27.
[40] Hr'g Tr. at 97.
[41] *Id*. at 97.
[42] *Id*. at 95-99.
[43] *Id*.
[44] *Id*. at 98, 102.
[45] *Id*. at 125-128.

In response to a question about which non-energy benefits were included in the TRC Test and which specific externalities excluded, the Company reported that the Efficiency Plan does not list in one location the non-energy benefits captured in the TRC Test. The Company referenced specific portions of the Efficiency Plan that described in detail the specific non-energy impacts included in the TRC Test. The Company also referred to a table illustrating resource and non-resource benefits associated with each program.[46]

The Commission asked the Company if the Efficiency Plan contained a comparison of the level of revenues contributed by each class along with the benefits of these programs flowing to each class.[47] The Company replied that there was specific documentation evaluating subsidization on the electric side.[48] The Company reported, however, that subsidization does not occur on the gas side because the Energy Efficiency Program charge is separated to ensure that the costs of efficiency programs are properly and fairly allocated among the rate classes.[49]

The Company noted that subsidization has occurred with respect to electric programs over the years.[50] Both the commercial and industrial rate class and the residential rate classes subsidize the low-income sector. Because the low-income sector has very few kilowatt-hours relative to the other sectors, the Company explained that the Energy Efficiency Program charge from those customers would not be sufficient to fund the low-income programs.[51] The Company further testified that a larger portion of the electric Efficiency Plan budget is committed to the commercial and industrial sector ($46 million) than to the combined income and non-income-eligible residential sector ($41.6 million).[52]

[46] *Id*. at 132-137 (referring to Table E-6 and Attachment 4 of the Efficiency Plan).
[47] *Id*. at 141.
[48] *Id*. at 142.
[49] *Id*.
[50] *Id*. at 142-143.
[51] *Id*. at 183-184.
[52] *Id*. at 183; Efficiency Plan at Table E-1.

The Company confirmed the variances noted in discovery between the Efficiency Plan and the Three-Year Plan covering years 2015 through 2017. The Company also confirmed that the spending budgets and the Energy Efficiency Program charge proposed in the 2016 plan were both higher than estimated in the Three-Year plan and the benefits were lower.[53] In defense of these variances, the Company emphasized that the budgets and other characteristics of the Three-Year Plan represent good-faith estimates based on the best information available at the time.[54] Furthermore, the Company claimed changes in the electric and gas program benefits were primarily the result of changes in the 2015 avoided cost study, which forecasted lower energy and capacity price suppression benefits, and decreased gas prices resulting from increased supply from Marcellus shale.[55]

Variances between the annual and Three-Year Plan also were due to a lower percentage of the distribution investments associated with load growth than can be deferred through energy efficiency.[56] These reasons, according to the Company, were mostly based on findings contained in the 2015 avoided cost study.[57] But, the Company denied that its energy efficiency programs had reached a saturation point, citing its success in achieving the savings targets and claiming there was plenty more energy efficiency that could be achieved cost-effectively in Rhode Island.[58] The Company also testified that, in an effort to keep the cost of these programs down, it had elected to include more energy efficiency measures with shorter lifetimes and thus shorter lifetime benefits.[59] Finally, the $2 million transfer to the Rhode Island Infrastructure Bank represented an expenditure from the Efficiency Plan budget in 2016 with no corresponding energy efficiency savings, thus

[53] *Id*. at 150-155.
[54] *Id*. at 150-151.
[55] *Id*. at 152-153.
[56] *Id*. at 153.
[57] Hr'g Tr. at 153.
[58] *Id*. at 156-157.
[59] *Id*.

lowering the benefit-cost ratio. The Company contended, however, that this program would in the future lead to benefits for customers in the form of financing of more energy efficiency projects.[60]

The Commission questioned the Company about various aspects of the Home Energy Reports Program. The Company explained electric customers in the program generally received six print reports and twelve email reports throughout the year.[61] Gas customers received four print reports and five email reports.[62] When asked why the reports were not included as bill inserts, the Company claimed it was not feasible because the reports and bills are sent from separate locations. The vendor is responsible for issuing the reports.[63] Also, according to the Company, customers are more inclined to pay attention to reports received separately from bills.[64] The Company defended Home Energy Reports Program as a successful means of getting people talking about energy consumption and actually saving energy.[65] The Company indicated that customers like the reports; that 71% of recipients open and read the reports; and that a quarter of recipients share the reports with others.[66]

The Company reported that it proposed to spend almost $2.8 million on Home Energy Reports for a net benefit of $52,000.[67] The Company conceded that the Home Energy Reports program has the lowest benefit-cost ratio of all of the energy efficiency programs and that the benefit-cost has declined steadily since 2014.[68] When asked if it were the least effective of the energy efficiency programs, however, the Company countered that it is one of the most effective programs because it reaches every customer and ensures that every customer has the opportunity

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[60] *Id*. at 157-159.
[61] *Id*. at 169.
[62] *Id*.
[63] *Id*. at 168.
[64] *Id*.
[65] *Id*. at 168-169.
[66] *Id*. at 171.
[67] *Id*. at 173.
[68] *Id*. at 174-177.

to save energy.[69] In defense of Home Energy Reports, the Company said that because the program has only a one-year life, it only has savings for one year. Other programs, such as LED lighting, have savings well into the future.[70] Because it is only a one-year program, it is more affected by the 2015 avoided cost study.[71]

The Commission asked the Company to comment on the five-year trend of spending budgets for energy efficiency programs, noting that from 2011 to 2016, the Efficiency Plan budgets had risen from $59.2 million to $87.5 million, an increase of $28.3 million. The Company responded that the increased budgets must be considered in light of other factors. First, the Energy Efficiency Program charge is less than the cost to procure additional energy supply. Second, while costs have increased, the benefits associated with these budgets also have increased.[72] Indeed, the Company asserted, the benefits of these programs far exceed the costs from year to year.[73] Third, the Company testified that while a standard customer with gas and electric service will pay $132 per year for energy efficiency programs, an average customer who participates in an efficiency program would save more than that amount on bills.[74] Finally, the Company contended that an increase in the Efficiency Program charge was necessary from an equity standpoint. The increase would allow the Company to meet the annual savings targets, procuring hundreds of thousands of megawatt-hours at a cost lower than the cost of supply, which benefits all ratepayers.[75]

On behalf of the Division, Timothy Woolf and Jennifer Calley, of Synapse Energy Economics, testified in full support of the 2016 Energy Efficiency Program Plan and the 2016 System Reliability Procurement Report. They noted that both were thoroughly vetted during the

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[69] *Id*. at 178.
[70] *Id*. at 177.
[71] *Id*.
[72] *Id*. at 202-204.
[73] *Id*. at 205.
[74] *Id.* at 206.
[75] *Id.* at 223-225.

collaborative process represented good values for customers.[76] The witnesses averred that the Efficiency Plan and the Reliability Report complied with the Least Cost Procurement Standards and met the 2016 savings target established in the Three-Year Plan.[77] They stated that the programs and the portfolio, as a whole, were cost effective in that they procured energy efficiency at a cost lower than other available resource options.[78]

In response to the Commission's inquiry, Mr. Woolf testified that customers are not aware of the Energy Efficiency Program charge and/or the extent to which it has risen in recent years, just as they are not aware of other components of the utility bill, such as transmission and distribution investments to maintain infrastructure, safety, and reliability of the grid.[79] Mr. Woolf asserted that what is important for customers to understand is that the long-term rate impact of efficiency programs is 1% or less while the long-term participation rate is relatively high.[80] He further noted that the goal of eliminating all cross-subsidization in utility rates is a goal that cannot be achieved.[81] Without some degree of cross- subsidization, there would be 100 rate classes and no way to build transmission and distribution lines.[82] He argued that investments in energy efficiency programs should be viewed in the same light as transmission and distribution investments, as a necessary component of a utility's services.[83]

Mr. Woolf also responded to some of TEC-RI's comments. First, while recognizing the appropriateness of TEC-RI providing input into the process, he urged the Commission to give greater weight to the actual evidence submitted by the Company. He highlighted, in particular,

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[76] Hr'g Tr. at 217-218.
[77] *Id*.
[78] *Id*.
[79] *Id*. at 223-224.
[80] *Id*. at 222-224.
[81] *Id*.
[82] *Id*. at 224-225.
[83] *Id*. at 225.

the bill impact on large commercial and industrial customers, which is much smaller than all other rate classes.[84] Additionally, Mr. Woolf emphasized that bill impacts are one dimensional, reflecting only the cost of the system benefit charge, while ignoring the many benefits associated with energy efficiency.[85]

On behalf of the EERMC, Scudder Parker of Vermont Energy Investment Corporation, testified in support of the 2016 Efficiency Plan on behalf of the EERMC. Mr. Parker questioned the characterization of energy efficiency programs as a cost rather than one of the cheapest and least environmentally negative components of the supply portfolio.[86] He stressed that energy efficiency is working in Rhode Island as evidenced by declining energy sales here. According to Mr. Parker, 18% to 19% of the total supply needs in the State was provided by energy efficiency.[87] He also testified that many of the economic and other benefits associated with energy efficiency are undocumented.[88] By way of example, Mr. Parker cited market transformation effects, whereby people are now installing energy efficient appliances without receiving an incentive or rebate.[89] This type of voluntary customer behavior benefits the economy and the environment as a whole; yet these benefits are not documented in the Efficiency Plan.[90]

Kat Burnham of People's Power and Light, testified in support of the 2016 Plan, advocating for increased spending for energy efficiency in order to provide greater economic and environmental benefits to Rhode Island.[91] Ms. Burnham argued for more funding for weatherization of oil and propane heated homes.[92]

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[84] *Id*. at 227-228.
[85] *Id*. at 228-229.
[86] *Id*. at 239.
[87] *Id*. at 236-238.
[88] *Id*. at 242.
[89] *Id*. at 240-243.
[90] *Id*. at 241-242.
[91] *Id*. at 248-250.
[92] *Id*.

B. National Grid's 2016 Reliability Report (Docket No. 4581)

National Grid witnesses Lindsay Foley and Ryan Constable testified in support of the Reliability Report, contending that the Company was on target to meet its 2017 goal of 97% deferral of wires projects.[93] The Company reported an active year in 2015 for demand response having called fifteen events during the period July through September of 2015.[94] However, after reviewing thirty-seven new projects between April of 2014 and March of 2015, the Company concluded none were eligible for non-wires alternatives and instead required infrastructure investments due to the condition of the asset, the need to remedy damaged or failed equipment, or involved new business or public works projects.[95] The Company planned to explore non-wires alternatives as partial solutions in 2016.[96] The Company also planned to investigate the use of non-wires alternatives for the purpose of reducing the scope of a wires alternative, thus decreasing the amount of the planned distribution investment through targeted distributed energy resources in a specific area.[97]

The Company indicated it would continue the same incentives offered in prior years, but with a focus in 2016 on new marketing strategies and leveraging of statewide energy efficiency programs. The demand response events would continue to be managed by an outside vendor, Earth Networks, but the vendor was launching a new utility portal in 2016.[98] The new portal was expected to enhance utility oversight of demand response events. It would enable the Company to know when and whether thermostats were connected or disconnected and for how long.[99] This

[93] Docket No. 4581 Tr. at 18. *See also* Reliability Report, Table S-7 at 27.
[94] *Id*. at 9-10.
[95] *Id*. at 17-18. *See also* Reliability Report at 5.
[96] *Id*. at 18.
[97] *Id*.
[98] *Id*. at 16.
[99] *Id*.

is valuable information the Company could use to determine when customers became disengaged and respond with appropriate action.[100]

VII. Commission Findings

A. 2016 Energy Efficiency Program Plan

On December 16, 2015, the Commission voted unanimously to approve the 2016 Energy Efficiency Program Plan, which was filed as a settlement agreement signed by National Grid, the Division, Acadia Center, EERMC, People's Power & Light, OER, and Green & Healthy Homes Initiative. The Commission based its approval on the filing, the exchange of discovery, and the information and testimony presented at the hearing. The Commission noted that the Efficiency Plan was the product of extensive negotiations among the parties and had been reviewed and approved by the EERMC. The Commission applauded the Company's efforts in collaborating with the EERMC and various stakeholders to develop the annual plan.

In evaluating the settlement plan, the Commission employed the standard provided by Rhode Island's Least Cost Procurement Act:

> The commission shall issue an order approving all energy efficiency measures that are cost effective and lower cost than acquisition of additional supply, with regard to the plan from the electrical and natural gas distribution company, and reviewed and approved by the energy efficiency and resources management council, and any related annual plans, and shall approve a fully reconciling funding mechanism to fund investments in all efficiency measures that are cost-effective and lower cost than acquisition of additional supply, not greater than sixty (60) days after it is filed with the commission.[101]

After reviewing the 2016 Energy Efficiency Program Plan, the Commission was satisfied that the savings realized in the Efficiency Plan meet requirements for cost-effectiveness. Specifically, the overall electric program TRC Test benefit-cost ratio was 1.77 and the overall gas

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[100] *Id.*
[101] R.I. Gen. Laws §39-1-27.7-(c)(5).

program TRC Test benefit-cost ratio was 1.63.[102] The Commission further determined that the plan advanced Rhode Island's policy of ensuring that energy resource needs are met through "all energy efficiency measures that are cost effective and lower cost that the acquisition of additional supply." Additionally, the Commission noted that energy efficiency measures provide public benefits during periods of supply constraint and high demand.

The Commission expressed appreciation for the information and perspectives provided by those who gave public comments. While acknowledging that public comment is not evidence in a proceeding, the Commission highlighted the common-sense observations of Mr. Gablinske.[103] The Commission noted it had raised similar concerns itself this docket. It observed that the gas and electric budgets of the Efficiency Plan, as well as the associated system benefit charge, had risen dramatically in the past five years. Consequently, the average customer would pay $132 per year or $11.00 per month for electric and gas energy efficiency programs.

The Commission expressed concern with how these programs might be perceived by an average ratepayer, struggling to make ends meet. Mindful of its statutory duty to ensure just and reasonable rates,[104] the Commission would be remiss if it failed to consider the financial burden, particularly for those who experience energy insecurity, when evaluating these programs. With these considerations in mind, the PUC cautioned that the upward trend and current level of the Energy Efficiency charge might, at some point, conflict with its statutory mandate to ensure just and reasonable rates. The Commission suggested that the Company and the collaborative parties address this concern in the next annual plan by demonstrating concrete efforts to mitigate the escalating costs of efficiency programs on ratepayers.

[102] Efficiency Plan at 3.
[103] PUC Rules of Practice and Procedure 1.14(b).
[104] R.I. Gen. Laws § 39-1-1(b).

Another area of concern raised by the Commission was inconsistencies between the Three-Year plan approved in Docket No. 4522, for years 2015 through 2017, and the Efficiency Plan proposed herein. While it is understood that the Three-Year Plan is used as a guidepost, and some variance is neither unusual or nor unexpected, the variances between the budgets and other aspects of the Efficiency Plan were substantial. National Grid explained the variances as being due to several factors, some of which were within the control of the Company, while others were not. Specifically, changes in lighting standards required by the Energy Independence and Security Act and changes in the avoided cost study were two of the reasons cited by National Grid for annual plan deviances in lifetime MWh savings.[105] Changes in lighting standards and the avoided cost study affected the amount of savings claimed from energy efficiency programs and, therefore, had a downward effect on the benefit-cost ratio. Similarly, variations between forecasted and actual kilowatt-hour sales could result in an annual Energy Efficiency Program charge higher than the corresponding charge projected in the Three-Year Plan.[106] Such changes are understandable and acceptable as they fall outside the Company's control.

Some variations between the annual and the Three-Year Plan, however, involved programmatic choices made by National Grid to favor a particular suite of programs on the basis of savings and cost assumptions.[107] Again, the Commission recognized that it may at times be necessary to deviate from the Three-Year Plan due to factors beyond the control of the Company. Nevertheless, the Commission encouraged the Company to endeavor generally to adhere to the spending, costs, and overall characteristics contained in the Three-Year Plan.

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[105] National Grid's Resp. to COMM 2-8.
[106] *Id.*; *See also* Hr'g Tr. at 212.
[107] National Grid's Resp. to COMM 2-8.

The Commission also expressed concerns regarding the benefits of the Home Energy Reports program. Evidence submitted in support of the Program showed that it is cost effective, with a benefit-cost ratio of 1.02.[108] But the evidence also showed that the Home Energy Reports generated the lowest benefits per expenditure of the Company's entire portfolio of programs. For example, the benefit-cost ratios for the rest of the energy efficiency programs ranged from 1.05 for the EnergyStar HVAC program to 3.41 for the Large Commercial New Construction program.[109] Furthermore, the Commission noted, the benefit-cost ratio for Home Energy Reports had declined since 2014, with ratios of 1.87 and 1.16 reported for 2014 and 2015, respectively.[110] The Commission suggested that, in the next annual plan filing, the Company should provide a more rigorous analysis of the Home Energy Reports Program, including whether the overall benefits of the program support continued inclusion in the annual plan.

The Commission also identified several opportunities for the Company to consider in the development and refinement of future annual efficiency plans: 1) more clearly identifying specific non-energy benefits associated with individual energy efficiency measures; 2) establishing a more formal process for tracking customer feedback regarding energy efficiency programs; and 3) providing a pie chart illustrating the degree of cross-subsidization occurring among the customer classes.

Finally, the Commission concluded that the settling parties had proposed a reasonable plan for the implementation of the energy efficiency programs. The Commission expressed confidence that the Company and the stakeholders would continue to successfully collaborate on the

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[108] Efficiency Plan for 2016 at Attachment 5, Table E-5.
[109] *Id.*
[110] *See* Docket No. 4451, National Grid's Energy Efficiency Procurement Plan for 2014 at Table E-5 (Nov. 1, 2013); http://www.ripuc.org/eventsactions/docket/4451-NGrid-EEPP2014_11-1-13.pdf and TAble E-5; Docket No. 4527, National Grid's Energy Efficiency Procurement Plan for 2015 at Table E-5 (Nov. 1, 2014); http://www.ripuc.org/eventsactions/docket/4527-NGrid-2015-EEPP(10-31-14).pdf.

reasonable and prudent development and implementation of energy efficiency investments in Rhode Island, driving increased resource savings that generate economic and environmental benefits for all Rhode Islanders.

B. 2016 System Reliability Procurement Report

The Commission found the 2016 Reliability Report to be consistent with the themes reported in the Company's Three-Year Plan. The Company explained that it would attempt to enhance participation in the load curtailment Pilot by incorporating the Tiverton - Little Compton area into the Rhode Island Energy Challenge and Home Energy Reports and by leveraging other statewide energy efficiency programs.[111] The Commission found these strategies to be reasonable and consistent with the Three-Year Plan. The Commission also found the projected 2016 budget of $441,100 to be reasonable in light of the goals reported in the program. The Reliability Report was supported by the collaborating parties as a cost-effective means of complying with the statutorily mandated least cost procurement of system reliability. Moreover, it was reviewed and approved by the EERMC in accordance with the Act. The Commission, therefore, found that the Reliability Report was cost effective and consistent with the Least Cost Procurement Act and approved the Reliability Report as filed.

Accordingly, it is hereby

(22926) <u>ORDERED</u>:

1. The Narragansett Electric Company d/b/a National Grid's 2016 Energy Efficiency Program Plan is approved for effect on January 1, 2016;
2. The Narragansett Electric Company d/b/a National Grid's 2016 System Reliability Procurement Report is approved for effect on January 1, 2016.

[111] Reliability Report at 15-18.

3. The Narragansett Electric Company d/b/a National Grid's electric Energy Efficiency Program charge of 1.077¢ per kwh is hereby approved for effect on usage on and after January 1, 2016.
4. The Narragansett Electric Company d/b/a National Grid's residential gas Energy Efficiency Program charge of 74.8¢ per dth is hereby approved for effect on usage on and after January 1, 2016.
5. The Narragansett Electric Company d/b/a National Grid's Commercial and Industrial gas Energy Efficiency Program charge of 48.7¢ per dth is hereby approved for effect on usage on and after January 1, 2016.
6. The Energy Efficiency Program Plan for 2017 shall comply with the directives contained in Section VII of this Order.
7. Any and all tariff provisions filed by National Grid pertaining to the Energy Efficiency Program Plan for 2016 and/or the 2016 System Reliability Procurement Report, and any and all customer charges relating thereto, shall be in full compliance with the terms and provisions of this Order.
8. The Narragansett Electric Company d/b/a National Grid shall comply with all other findings and instructions contained in this order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2016 PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 16, 2015. WRITTEN ORDER ISSUED OCTOBER 17, 2017.

PUBLIC UTILITIES COMMISSION

Margaret E. Curran, Chairperson

*Paul J. Roberti, Commissioner

*Herbert F. DeSimone, Commissioner

*Commissioners Roberti and DeSimone concur with the decision but are unavailable for signature.

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.